



GOVERNMENT OF PAKISTAN
FINANCE DIVISION

REPORT
OF THE FIRST
NATIONAL FINANCE COMMISSION
APPOINTED UNDER
CLAUSE (1) OF ARTICLE 160 OF THE
CONSTITUTION

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CHAPTER I

INTRODUCTORY

The National Finance Commission was constituted by the President under clause (1) of Article 160 of the Constitution, to make recommendations as to—

- (a) the distribution between the Federation and the Provinces of the net proceeds of:
 - (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
 - (ii) taxes on sales and purchases; and
 - (iii) export duties on cotton;
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments; and
- (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

2. The Commission, according to Finance Division Notification No. SRO 158(D)/74, dated the 9th February, 1974, consisted of the following members, namely:—

1. Minister for Finance of the Federal Government *Chairman*
2. Minister for Finance, Government of the Punjab *Member*
3. Minister for Finance, Government of Sind *Member*
4. Minister for Finance, Government of NWFP *Member*
5. Minister for Finance, Government of Baluchistan *Member*
6. Mr. A.G.N. Kazi *Member*
7. Mr. H.A. Majid *Member*
8. Mr. P.K. Shahani *Member*

9. Mr. Umar Jan Khan *Member*

10. Mian Saiyullah Khan Piracha *Member*

3. Mr. S. A. A. Shah, Joint Secretary (Budget), Finance Division, was appointed to act as Secretary of the Commission and Mr. A. H. Qureshi, Section Officer, Finance Division, was appointed to act as its Assistant Secretary.

4. The Commission held six meetings in all. Minutes and working papers of these meetings are enclosed with this report as Appendices I to XII.

5. It was decided by the Commission that the Commission's recommendations should be finalised before the presentation of the Federal and Provincial Budgets for 1975-76 so that on acceptance they could be given effect from the year 1975-76.

6. The Commission also decided to set up a working group consisting of the Provincial Finance Secretaries and Additional Secretary, Finance Division, the latter also acting as convenor of the working group, for preparing revenue income and expenditure projections of the Federal and Provincial Governments for the next five years. The working group was given the following guidelines:—

- (a) Actuals for 1973-74 to be taken as the base.
- (b) The estimates for 1974-75 to be improvised to include increases in expenditure on account of grant of special dearness allowance to employees and supplementary authorisations in the course of the year. The revised estimates so determined to be taken as the bench-mark for future projections.
- (c) In working out the projections, a constant price level to be assumed and rates of taxes and duties to be taken as at present.
- (d) Non-development revenue expenditure of the Federal and Provincial Governments to be recast on a uniform basis after applying annual growth rate of 15% in the case of development departments and 6% for the rest of the expenditure.
- (e) Grants and subsidies by the Federal and Provincial Governments at 1974-75 (revised) level not to be included in the projections but to be listed separately.

CHAPTER II

DISTRIBUTION OF REVENUES

7. The existing arrangements in regard to the distribution of Federal revenues are regulated by the Distribution of Revenues Order, 1971 (President's Order No. 10 of 1971), and are in force since 1st July, 1970, when the former East Pakistan was one of the Provinces of Pakistan. These provide for the Provincial Governments to be assigned in each financial year a share of the net proceeds of the following taxes and duties levied and collected by the Federal Government in that year calculated according to the percentage specified against each, namely,—

(a) Taxes on income including corporation tax but excluding taxes on Federal emoluments ..	80%
(b) Duties of excise on tea, tobacco and betelnut	80%
(c) Taxes on sales and purchases	80%
(d) Export duties on jute and cotton	80%
(e) Estate and succession duties in respect of agricultural land	100%
(f) Taxes on capital value of immovable property	100%

8. Of the sums so assigned the allocation of shares to the Provincial Governments is provided as under:—

- (1) *Taxes on sales and purchases.*—As to 30% of the sum assigned in each financial year, the former East Pakistan Province was to receive an amount bearing the same proportion as collections in that Province in that year bore to the total collections. Of the balance of 70%, East Pakistan was to receive 54%. The amount remaining after determining the share of East Pakistan in the aforesaid manner was to be distributed between the Provinces in West Pakistan.
- (2) *Other taxes and duties.*—Of the sums assigned in each financial year, East Pakistan was to receive 54% and the other Provinces together the remaining 46%.

- (3) The share assigned to the Provinces in West Pakistan was to be distributed among them in the following percentages:—

Punjab	56 5%
Sind	23 5%
North-West Frontier Province ..	15 5%
Baluchistan	4.5%

9. The only change brought about in the foregoing arrangements since the cessation of East Pakistan is that the share payable to the former Province of East Pakistan is being retained by the Federal Government. The Provinces in Pakistan have continued to receive without interruption their prescribed share of 46% of the divisible pool.

10. Any revision of the existing pattern of distribution of revenues between the Federal Government and the Provinces necessitated an assessment of their revenue receipts and non-development expenditure for a period of time. The Commission considered the report of the working group which was constituted for this purpose earlier. It was found that the report was not unanimous and showed widely varying projections of the deficits of the Provincial Governments. The Commission, therefore, came to the conclusion that the Commission's recommendations need not closely be bound by these projections. The Commission, however, took note of the increase envisaged in the non-development expenditure of the Provinces which was highly disproportionate to the growth in revenue receipts.

11. The Commission recognised the essential need for preserving the financial soundness and strength of the Centre. The Commission also appreciated the imperative of making the Provinces financially viable units. The Commission was conscious of the fact that the Federal Government has far more scope and capacity for raising resources by taxation than the Provinces.

12. After due consideration the Commission came to the conclusion that ample justification existed for a larger allocation of the divisible revenues to the Provinces and that its quantum should be raised to the level of 80% of the net proceeds of all the sharable taxes and duties. As for *inter se* shares of the Provinces, the Commission after full examination of the various formulas held the view that these should be determined on the basis of population.

It was felt that this arrangement would be both democratic and equitable and should cause no controversy. It would put all the Provinces on equal footing.

13. Accordingly, the Commission unanimously recommends that, of the net proceeds of the following divisible taxes and duties, 80% should be allocated to the Provinces and 20% should be left with the Federal Government:—

- (1) Export duties on cotton ;
- (2) Taxes on sales and purchases ; and
- (3) Taxes on income, including corporation tax, but not including taxes on remuneration paid out of Federal Consolidated Fund.

At the same time, the Commission realises that the two smaller Provinces of North-West Frontier and Baluchistan would require a measure of additional assistance which should be provided by the Federal Government in the form of fixed subventions.

14. The aforesaid allocable share of the Provinces should be distributed in the percentage of their respective population namely,—

Punjab	60.25%
Sind ¹	22.50%
North-West Frontier Province ..	13.39%
Baluchistan	3.86%
Total ..	<u>100%</u>

In addition, the Federal Government should give NWFP a fixed yearly subvention of Rs 10 crores and Baluchistan Rs 5 crores.

CHAPTER III

GRANTS-IN-AID BY THE FEDERAL GOVERNMENT

15. Grants in aid of the Provincial revenues by the Federal Government are mainly of two types: development grants, and specific grants for non-development purposes. Development grants are related either to specific schemes of national importance included in the Provincial Annual Development Programme (ADP) or are intended as general support for ADP financing.

16. Federal grants to the Provinces for non-development purposes at present take three forms: subvention and other grants for budgetary support, subsidies, and grants for specific purposes. Only NWFP at present gets a fixed subvention of Rs 125 lakhs per annum in pursuance of Raisman Award of 1951 which was given legal effect through the Distribution of Revenues Order, 1953 (GGO No. 23 of 1953). In addition, NWFP receives (i) an amount of Rs 102 lakhs annually to meet revenue deficit involved on administration of new areas entrusted to the Provincial Government and (ii) a sum of Rs 72 lakhs per annum for maintenance of strategic roads. Baluchistan gets a grant-in-aid of Rs 92 lakhs per annum comprising payment of Rs 61 lakhs for performing agency functions on behalf of the Federal Government and Rs 31 lakhs for maintenance of strategic roads in that Province. Subsidy to the Provinces at present is confined to indigenous wheat only. Grants for specific purposes are mostly *ad hoc* grants.

17. The question of subvention was considered by the Commission in the context of distribution of revenues between the Federal Government and the Provinces and, as earlier mentioned, it was un-animously agreed that Baluchistan and NWFP should be given fixed annual subvention of Rs 5 crores and Rs 10 crores, respectively, by the Federal Government. The Commission makes its recommendation accordingly.

18. It was represented to the Commission by the representatives of the NWFP and Baluchistan Governments that the grants at present received by them for agency functions and for maintenance of strategic roads were proving inadequate because of high costs and increase in the road mileage and should be suitably increased. The Commission recognised the validity of this plea and decided to recommend that the two Provinces should be reimbursed the actual cost of maintenance which in fact was already the practice in respect of the Provinces of Sind and Punjab.

19. The question that the Federal Government should reimburse the Provincial Governments the maintenance cost of the works carried out on its behalf also came up for consideration by the Commission. In this context it was further stated that if any Federal works were handed over to a Province, the Province would bear the maintenance cost only if it agreed to such a takeover. It was clarified on behalf of the Federal Government that if a particular work was the constitutional responsibility of the Federal Government then both the original and the maintenance cost thereof were Federal liability. National highways, it was stated, will fall in this category. In regard to other matters, like that of strategic roads, which also generally bestow economic benefits on the area, the sharing of cost of maintenance can be decided by mutual agreement between the concerned Governments. The Commission considers this to be a fair arrangement and makes recommendation accordingly.

20. It was also suggested in the course of Commission's deliberations that the cost of any special tasks assigned to the Provinces on behalf of the Federal Government should be borne by the Federal Government. It was unanimously agreed that in future when any service was assigned to the Provincial Governments on behalf of the Federal Government the cost thereof should be borne by the Federal Government on the basis of actual expenditure the scale of which should be mutually agreed upon. The Commission recommends accordingly.

CHAPTER IV

EXERCISE OF BORROWING POWERS BY THE FEDERAL AND PROVINCIAL GOVERNMENTS

21. The question of exercise of borrowing powers by the Federal and Provincial Governments under the constitutional provisions has also been considered in the past when the views of the State Bank of Pakistan were also obtained. The present Commission did not get an opportunity to have the benefit of consultation with the State Bank. Nevertheless, the Commission agrees that by and large the same considerations hold good even now and that keeping in view the economic compulsions and consequences of Government borrowings the balance of advantage would lie in not defining the overall limits of borrowings by the Federal Government.

22. There is, however, a difference in the borrowings of the Federal Government and those of the Provincial Governments. It has been urged in the past that the Federal Government is responsible for the formulation of overall fiscal and monetary policies of the country and that this necessitates that it should supervise the borrowings on the part of the Provincial Governments. The Commission has noted that the Constitution in clause (3) of Article 167 already provides for necessary safeguards in this behalf when it stipulates :

“A Province may not, without the consent of the Federal Government, raise any loan if there is still outstanding any part of a loan made to the Province by the Federal Government, or in respect of which guarantee has been given by the Federal Government; and consent under this clause may be granted subject to such conditions, if any, as the Federal Government may think fit to impose.”

The Commission is, therefore, of the view that the foregoing constitutional provision adequately serves the purpose of regulating borrowings by the Provincial Governments and it is not necessary to place a statutory limit on these borrowings.

23. The Commission accordingly recommends that the existing arrangements under which borrowings by the Federal Government and the Provincial Governments are not subject to any statutory limit and which have worked satisfactorily may continue without any change.

CHAPTER V

SUMMARY OF RECOMMENDATIONS

24. To sum up, the Commission makes the following recommendations:—

(a) *The distribution between the Federation and the Provinces of the net proceeds of sharable Federal taxes.*—(1) The Provinces should be allocated eighty per cent of the net proceeds of sharable Federal taxes, namely,—

(i) export duties on cotton;

(ii) taxes on sales and purchases; and

(iii) taxes on income, including corporation tax, but not including taxes on remuneration paid out of the Federal Consolidated Fund.

(2) The share of the Provinces in the aforesaid divisible pool of 80% net proceeds should be according to the percentage of their respective population, namely,—

Punjab	..	..	..	60.25%
Sind	..	..	..	22.50%
North-West Frontier Province	..			13.39%
Baluchistan	..	..	..	3.86%
			Total	<u>100%</u>

(b) *The making of grants-in-aid by the Federal Government to the Provincial Governments.*—(i) In addition to their share in the divisible pool of net proceeds of sharable Federal taxes determined as aforesaid, Baluchistan and the North-West Frontier Province should be made a fixed subvention by the Federal Government in the following amount, namely,—

Baluchistan	...	...	Rs five crores
North-West Frontier Province	...		Rs ten crores

- (ii) Grants-in-aid by the Federal Government to the Provincial Governments for the maintenance of roads of national importance and national highways should be on actual cost basis.
- (iii) Grants-in-aid for the sharing of the cost of maintenance of strategic roads should be decided by mutual agreement between the Federal Government and the Provincial Governments.
- (iv) Grants-in-aid for agency functions and for work done by or for tasks assigned to the Provinces on behalf of the Federal Government should be made on the basis of actual expenditure the scale of which should be mutually agreed upon.
- (c) *The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.*—The existing arrangements, under which the borrowings by the Federal Government and the Provincial Governments are not subject to any statutory limit, have so far worked satisfactorily and should be continued without any change.

RANA MOHAMMAD HANIF KHAN
Minister for Finance
Chairman, National Finance Commission.

MOHAMMAD HANEEF RAMAY
Chief Minister
Government of Punjab.

GHULAM MUSTAFA Jatoi
Chief Minister
Government of Sind.

NASRULLAH KHAN KHATTAK
Chief Minister
Government of North-West
Frontier Province.

SARDAR GHASUS BAKHSH RAISANI
Senior Minister
Government of Baluchistan.

A. G. N. KAZI.

H. A. MAJID.

P. K. SHAHANI.

UMAR JAN KHAN.

MIAN SAIFULLAH KHAN PIRACHA.

GOVERNMENT OF PAKISTAN
MINISTRY OF LAW AND PARLIAMENTARY AFFAIRS
(Law Division)

Islamabad, the 9th June, 1975

No. F. 24 (1) |75-Pub*.—The following Order made by the President on the 6th June, 1975 is hereby published for general information :—

PRESIDENT'S ORDER NO. 2 OF 1975

WHEREAS, in pursuance of clause (1) of Article 160 of the Constitution, the President, by the Finance Division Notification No. SRO 158 (I) |74 dated the 9th February, 1974, appointed a National Finance Commission to make recommendations, among other matters, as to the distribution between the Federation and the Provinces of the net proceeds of certain taxes;

AND WHEREAS the said Commission has submitted its recommendations with regard to the said distribution ;

NOW, THEREFORE, in pursuance of clause (4) of Article 160 of the Constitution, the President is pleased to make the following Order :—

1. **Short title and commencement.**—(1) This Order may be called the Distribution of Revenues and Grants-in-Aid Order, 1975.

(2) It shall come into force on the first day of July, 1975.

2. **Definitions.**—In this Order, unless there is anything repugnant in the subject or context,—

- (a) "net proceeds" means, in relation to any tax or duty, the proceeds thereof reduced by the cost of collection, as ascertained and certified by the Auditor-General; and
- (b) "taxes on income" includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

3. **Distribution of revenues.**—The Provincial Governments shall be assigned in each financial year a share equal to eighty per cent of the net proceeds of the following taxes and duties levied and collected by the Federal Government in that year, namely :—

- (a) Taxes on income.
- (b) Taxes on sales and purchases.
- (c) Export duties on cotton.

*Published in the Gazette of Pakistan, Extraordinary, dated the 9th June, 1975, pages 161-162.

4. **Allocation of shares to the Provincial Governments.**—The sum assigned to the Provincial Governments under Article 3 shall be distributed amongst the Provinces on the basis of their respective population in the percentage specified against each :—

The Punjab	..	..	..	..	60.25%
Sind	..	..	..	..	22.50%
The North-West Frontier Province	..	..	..	..	13.39%
Baluchistan	..	..	..	..	3.86%
					<hr/>
			Total	..	100%
					<hr/>

5. **Grants-in-aid to the Provinces.**—There shall be charged upon the Federal Consolidated Fund each year, as a grant in aid of the revenues of Baluchistan and the North-West Frontier Province, a sum of five crore rupees and ten crore rupees respectively.

6. **Repeal.**—Article 7 of the Distribution of Revenues Order, 1953 (GGO No. 23 of 1953), paragraphs (e) and (f) of clause (1) of Article 2 of the Distribution of Revenues and Consolidation and Repayment of Loans Order, 1962 (P.O. No. 23 of 1962), and the Distribution of Revenues Order, 1971 (P.O. No. 10 of 1971) are hereby repealed.

CHAUDHRY FAZAL ELAHI,
President.

Countersigned.

ZULFIKAR ALI BHUTTO,
Prime Minister.

ABAID ULLAH KHAN,
Solicitor.

MINUTES OF FIRST MEETING OF THE NATIONAL FINANCE COMMISSION HELD IN COMMITTEE ROOM OF FINANCE DIVISION AT ISLAMABAD, ON THURSDAY, 30TH JANUARY, 1975 AT 10 A.M.

The following were present :—

Members

1. Rana Mohammad Hanif Khan, *Chairman*.
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Mr. Ghulam Mustafa Jatoi, Chief Minister, Sind.
4. Mr. Mohammad Iqbal Khan Jadoon, Finance Minister, NWFP.
5. Mr. A. G. N. Kazi, Secretary General (Finance and Economic Coordination), Government of Pakistan.
6. Mr. H. A. Majid (Punjab).
7. Mr. P. K. Shahani (Sind).
8. Mr. Umar Jan Khan (NWFP).

Officials

9. Mr. Abdur Raouf Shaikh, Finance Secretary, Government of Pakistan.
10. Mr. M. A. G. M. Akhtar, Additional Finance Secretary, Government of Pakistan.
11. Dr. M. Tariq Siddiqui, Finance Secretary, Punjab.
12. Mr. R. A. Akhund, Finance Secretary, Sind.
13. Mr. Arshad Farid, Finance Secretary, NWFP.
14. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint Secretary, Finance Division.
15. Mr. Inamul Haq, Secretary, Apportionment Committee (Finance Division).
16. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

The members representing the Government of Baluchistan could not attend the meeting due to cancellation of PIA flight from Quetta.

2. The Chairman welcomed the members to the first meeting of the National Finance Commission and hoped that with joint effort they would be able to make a good job of a difficult assignment that had been entrusted to the Commission. He observed that the separation of East Pakistan had changed the context and the entire ground will have to be gone over to meet the requirements of changed circumstances. He stated that the Commission could not meet so far for unavoidable reasons and noted that the Provinces were very anxious for expeditious action. He shared the anxiety of the Provinces.

Programme of Work

3. The Punjab Chief Minister pointed out that the Commission was meeting nearly a year after it was constituted and the Provinces were naturally keen on quick decision. He suggested that the Commission should finalize its recommendations well before the next budget and should evolve a method so that this end was achieved.

4. Mr. H. A. Majid wanted to know if the meetings of the Commission would be held only at Islamabad or they could take place elsewhere also. The Chairman pointed out that he would have no objection to hold the meetings at any of the Provincial Headquarters but it would be more convenient to hold the meetings at Islamabad where all the data would be readily available if it was required in the course of the meetings.

Tenure of National Finance Commission

5. Mr. Shahani stated that he believed that the National Finance Commission would be a standing Commission for five years to whom any matter relating to finance might be referred by the President. Since the recommendations of the National Finance Commission had to be laid before the two Houses of the Parliament and the Provincial Assemblies, the Commission, he presumed, would remain in continuous existence to watch the progress of implementation of its recommendations.

6. Mr. A. G. N. Kazi and Mr. H. A. Majid did not agree that the Commission had a life of five years. The Punjab Chief Minister thought that once the Commission had performed its function it would become dormant and would not meet again unless a new issue was referred to it. The Federal Finance Secretary clarified that the experience, history and tradition of such Commissions constituted in the past revealed that once they had finished their work they stood dissolved. Concluding the discussion about the point raised by Mr. Shahani, the Chairman drew attention to the words "and thereafter at intervals not exceeding five years" occurring in clause (1) of Article 160 of the Constitution and observed that the provision clearly implied that, after the Commission had made its recommendations and the President had approved them, this body would automatically stand dissolved. Elaborating his point further, the Chairman stated that this provision of clause (1) of Article 160 empowers the President to constitute a National Finance Commission whenever he feels the need for it and, in any case, at intervals not exceeding five years. It was implicit therefore that the present Commission did not have the status of a standing body and that it would not continue after the completion of its assignment. This view was accepted by all members of the National Finance Commission.

Rules of Procedure

7. Mr. Shahani then raised the point that modalities of the working of the National Finance Commission required to be laid down. He referred the members to draft rules that he had prepared and circulated in the meeting for the regulation of the proceedings of the Commission. The Chairman observed that these draft rules would tend to delay things instead of expediting them. He suggested that keeping in view the urgency of the Commission's deliberations, the procedure of the National Finance Commission should be informal and by consensus so that the work is started in right earnest. The members agreed to the Chairman's point of view.

Commission's Terms of Reference

8. Mr. H. A. Majid raised the point whether the Commission could request the President to add to its terms of reference. He referred in particular to paragraphs (a)(iii) and (a)(iv) of the terms of reference of the National Finance Commission, corresponding to provision in clause (3) of

Article 160 of the Constitution, and stated that the President had not specified other export duties and excise duties for consideration by the National Finance Commission. Taking up the issue, the Punjab Chief Minister said that Punjab considers the question of excise duties that have not been referred to the National Finance Commission as a basic and fundamental issue for consideration by the Commission. He went on to say that, while the Commission may have to remain within the given terms of reference, the Provinces have a case that other export duties and excise duties should also be made divisible. Income tax and sales tax revenues, he pointed out, were not expanding in line with the developing economy and consequently the shareable income from these sources was not rising. On the other hand, the yield from export duties and excise duties was increasing because of the rising trend of diversified exports and higher level of economic activity in the country. He added that in some cases the sales tax is converted into excise duty thus denying a share to the Provinces. The Punjab Chief Minister observed that instead of meeting the rising needs of the Provinces through *ad hoc* measures like grants-in-aid or writing on of past debts, it would be better if the Provinces knew what they were entitled to as a matter of right. He asked the Finance Secretary, Punjab to state the specific excise and export duties which his Government would like to be made divisible. The Finance Secretary Punjab pointed out that the investments made by the Provincial Government in the annual development programme (ADP) had two aspects from the revenue point of view. Firstly, it was spent on items like roads, health, education, etc. which gave no direct sizeable return to the Provincial Government. Secondly, it was spent in sectors like agriculture which resulted in increased income to the Federal Government. By way of illustration, he mentioned that the excise duties on sugar, cotton fabrics and yarn, motor spirit and high speed diesel, vegetable products, tobacco, etc. and export duties on cotton yarn, rice, hides and skins, etc. were elastic items of revenue out of which Provinces did not receive their due share in spite of the investments made by them. The Punjab Chief Minister suggested that all these aspects should be given consideration by the National Finance Commission and all export duties, excise duties and trading profits on rice and cotton should be made shareable with the Provinces.

9. Mr. H. A. Majid suggested that the National Finance Commission Secretariat should get information on commodities that have been or are subject to dual taxation by way of excise duty and sales tax. He also wanted to know whether the Commission should approach the Government to modify its terms of reference. Mr. A. G. N. Kazi observed that the Commission could not take up the matter with the President but the Provincial Finance Ministers could make a request to the Federal Finance Minister in this matter. He suggested that the Provinces should make their proposals more concrete and should come up with specific recommendations stating which of the excise or export duties they wanted to be considered by the Commission. He pointed out that the sharing of profits was not provided for by the Constitution. Mr. H. A. Majid suggested that the Commission could consider the trading profits while considering the question of grants-in-aid by the Federal Government to the Provinces. The Federal Finance Secretary observed that grants-in-aid are voted and if charged upon the Federal Consolidated Fund are discussed by the legislature while share in taxes accrues to the Provinces as a matter of right.

10. The Federal Finance Secretary clarified that excise duties and sales tax were merged in some cases to avoid the multiplicity of taxes and the intention was not to retain the divisible amount with the Federal Government.

Any resultant losses to the Provinces from such measures were intended to be made good in other ways.

11. Mr. Shahani supported the point of view of the Punjab Chief Minister and suggested that all trading profits and export and excise duties should be considered by the Commission and it should then be recommended which of the items should or should not form part of the divisible pool. He stated that the Federal Government was as much a party before the Commission as any Provincial Government and that it could also plead its case before the Commission.

12. The Finance Secretary, NWFP stated on behalf of his Government that while he generally supported the Punjab viewpoint and wanted that excise duties as a whole should be considered by the Commission, he believed that for a considerable time his Province would have to live on Federal grants-in-aid. He, therefore, suggested that the trading profits of the Federal Government should be kept out of the sharing arrangement so as to enable that Government to meet the needs of grants-in-aid to deficit Provinces. The Chairman observed that the Federal Government has of necessity to spend huge sums of money in areas which are not self-sufficient and should therefore have adequate resources to meet such obligations. The Punjab Chief Minister agreed with the Chairman and said that the Federal Government should have enough financial powers and resources to discharge its overall obligations. He observed that it was not only particular territories where the Federal Government had to spend much more than it could get from there but also certain sectors, like mineral exploration, which required huge investment which could only be managed by the Federal Government. He was of the firm view that new arrangement should be such as would make the Provinces more responsible in regulating their financial matters. He thought that at present smaller Provinces did not impose any self-discipline as they knew that their deficit would be picked up by the Federal Government.

13. Mr. A. G. N. Kazi pointed out that there are two aspects of the question of allocation of revenues between the Federal Government and the Provinces. First, the quantum which should go to the Provinces and the Federal Government has to be determined. This, he said, should depend upon the responsibilities assigned to the different governments under the Constitution. The second is the mechanics to be devised for such allocation. This should be a matter of suitability. He pointed out that only import duties had been excluded from amongst the items which the Provinces of Punjab and Sind wanted the National Finance Commission to take up. He felt that all items of revenues could as well be lumped together and then it could be laid down how these were to be distributed. He observed that the past attitude, going to the pre-Independence Government of India days, had been that the interests of the Provinces lay in things nearer the land and therefore the taxes related to agriculture, like land revenue, always went to the Provinces. If the Provinces had themselves continued with the same approach and taxed the agricultural incomes at source, less could have been levied by the Centre on the products of the land. The export duties on rice and cotton could not have been imposed by the Centre, or at least not at the present levels, had the Provinces pre-empted these sources through their own taxes. Taxes on items of agricultural origin levied by the Centre were however traditionally shared with the Provinces. The export duties on jute and cotton and excise duties on tea, tobacco and betelnut fell in this category. Income tax

and sales tax were exceptions which were added to the divisible pool later. According to him, there were now two alternatives in the matter :—

- (i) Either to adopt the traditional approach by sharing the income on items nearer the land and assigning big proportions to the Provinces out of it.
- (ii) Or to include all items of revenue and assign small proportions therefrom to the Provinces.

14. It was possible that with the wider base, smaller proportion might move to the Provinces or with a smaller base bigger portions could be assigned. He further stated that there could be different views about the basis of distribution of revenues between the Federal Government and the Provinces. Criteria like production, population, consumption or a combination of these or any other claim may be put forward in this connection. The Commission had the choice either to adopt the first approach which is both historical and traditional or to make a clear departure and pursue the second approach. In any case, the Provinces must come up with detailed proposals for the consideration of the National Finance Commission.

15. Mr. Shahani preferred the second alternative. He wanted the state trading profits and excise duties to be included but not the import duties. Mr. H. A. Majid was of the view that the Commission should make recommendations in the light of the total income of the country as the changed circumstances may need departing from the historical approach. Mr. A. G. N. Kazi clarified that the position as enunciated by him did not exclude considering the totality of resources and evolving a formula for distribution.

16. The Federal Finance Secretary drew the attention of the members to the views of SIR JEREMY RAISMAN about the local origin of a taxed commodity being the basis for sharing the proceeds. He read the following extract from the RAISMAN AWARD :—

“ 10. *Export Duties.*—A claim has been put forward by the Punjab and Sind for a share of the proceeds of the cotton export duty. The claim has been largely based on the precedent of the distribution of the jute export duty. It is, however, clear that the case of jute in relation to Bengal has been treated as something quite unique arising from the special circumstances of Bengal with its permanent land revenue settlement, and from the extraordinary importance of jute in the economic life of that Province. In my opinion the claim of the Punjab and Sind must be rejected. Export duties are essentially Federal in character and to recognize a right of the units to the proceeds on the basis of the local origin of the taxed commodity would ultimately be fatal to any rational scheme of Federal finance. Moreover, export duties may be levied for purposes which are not primarily fiscal but are related to the general monetary and economic condition of the country and to world factors. Such duties have recently been imposed in many countries for disinflationary purposes when the prices of exported raw products have soared.”

The Federal Finance Secretary said that this viewpoint, among other things, also indicated that export duties were sometimes levied for purposes other than raising revenues and this point should be kept in view by the Commission. He

further wanted to know whether subsidies on commodities like wheat and edible oil would be included in considering the state trading profits. The Punjab Chief Minister clarified that, according to his view, profits or losses linked with exports should be included but the imports should be kept outside the Commission's purview. Similarly, profits of the public sector industries should also be excluded from the divisible pool as the management of socialized economy was likely to remain a Federal function.

17. Mr. A. G. N. Kazi summarized this part of the argument by saying that besides the income and sales taxes, which were already included, the Provinces wanted all the export duties and state trading profits linked with exports and all excises without profits and losses related to imports to be included in the divisible pool. It was decided that the Finance Division would initiate necessary action to have the terms of reference of the Commission enlarged accordingly.

Other Points

18. Mr. H. A. Majid drew the attention of the members to the needs of increased welfare activities like education, health, public housing, etc. which had put additional burden on the Provinces. He thought that information regarding cost of these services should be available to the Commission. He also suggested that to improve the facilities of local nature the financial needs of the local government institutions should also be indicated by the Provinces. The Punjab Chief Minister was of the view that local body matters should not come to this forum. He believed that the local bodies should learn to stand on their own legs. He thought that once the Provinces were given reasonable shares of revenue, they should be able to look after their local bodies. The Chairman observed that while the needs of local bodies can be brought out as an argument any consideration of the local bodies finances was not a part of the Commission's assignment.

19. Mr. H. A. Majid wanted to know what share of excise duties on gas and electricity was passed on to the Provinces. The Federal Finance Secretary drew the attention of the member to Article 161 of the Constitution which lays down that (1) net proceeds of the excise duty on gas levied at well-head and collected by the Federal Government and of the royalty collected by the Federal Government shall be paid to the Provinces in which the well-head of the natural gas is situated and (2) the net profits earned by the Federal Government from the bulk generation of power from a hydro-electric station was payable to the Province where such a station was situated. On Mr. Majid's query about the status of the Warsak and Mangla dams, the Federal Finance Secretary stated that exact position would be ascertained and brought to the notice of the Commission. It was, however, clarified by the representative of NWFP Government that Warsak dam is located in the Federally Administered Area while Mangla dam falls in Azad Kashmir territory.

Commission's Working Procedure

20. The questions posed for consideration and decision by the National Finance Commission, in paragraph 6 of the Working Paper were then discussed and the following decisions were taken in the meeting:—

- (i) Regarding its programme of work and time schedule, the Commission decided that efforts should be made to complete the work of the Commission by the end of April, 1975.

- (ii) As regards the form and substance of the memoranda that the Commission would like to have from the Provincial and the Federal Governments, it was decided that the Provinces would give a list of items|subjects on which they would like the Secretariat of the Commission to collect information.
- (iii) The Commission did not desire to call for the views of private individuals and non-public sector agencies.
- (iv) It was not considered necessary for the present to set up any working groups|committees for dealing with specific issues.

Representative capacity of Provincial Ministers

21. On a query by Mr. H. A. Majid whether the Provincial Chief|Finance Ministers were represented in the Commission in their individual capacities or as representatives of their respective Governments, the Punjab Chief Minister observed that the Provincial Ministers, unless they indicated otherwise, were supposed to be expressing the official views of their Governments. The other Ministers present in the meeting agreed with this observation.

22. It was decided that the Commission would meet again on the 20th February, 1975, at 10 A.M. in Islamabad. The meeting ended with a vote of thanks to the Chair.

Appendix II

MINUTES OF SECOND MEETING OF NATIONAL FINANCE COMMISSION HELD IN COMMITTEE ROOM OF FINANCE DIVISION AT ISLAMABAD ON THURSDAY, 20TH FEBRUARY, 1975, AT 4 P.M.

The following were present :—

Members

1. Rana Mohammad Hanif Khan, Federal Finance Minister, *Chairman*.
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Mr. Saifullah Khan Piracha, Minister for Industries and Development, Baluchistan.
4. Mr. G. M. Khan, Adviser to Governor, NWFP.
5. Mr. A. G. N. Kazi, Secretary-General (Finance and Economic Coordination), Government of Pakistan.
6. Mr. H. A. Majid (Punjab).
7. Mr. P. K. Shahani (Sind).
8. Mr. Umar Jan Khan (NWFP).

Officials

9. Mr. Abdul Raouf Shaikh, Finance Secretary, Government of Pakistan.
10. Mr. M. A. G. M. Akhtar, Additional Finance Secretary, Government of Pakistan.
11. Dr. M. Tariq Siddiqui, Finance Secretary, Punjab.
12. Mr. R. A. Akhund, Finance Secretary, Sind.
13. Mr. Arshad Farid, Finance Secretary, NWFP.
14. Mr. S. R. Poonegar, Finance Secretary, Baluchistan.
15. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint Secretary, Finance Division.
16. Mr. Q. M. Alimullah, Deputy Secretary, Finance Division.
17. Mr. Inamul Haq, Secretary, Apportionment Committee (Finance Division).
18. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

Baluchistan Viewpoint

2. At the outset Mr. Saifullah Khan Piracha stated that since no member from Baluchistan could attend the first meeting of the Commission he wanted to have his viewpoint recorded before discussion on the agenda of the second meeting was initiated. Referring to the decision of the first meeting, he agreed that the report of the Commission should be finalised well before the presentation of the next year's budget. He did not, however, support the

view that the terms of reference of the Commission should be widened to include all export and excise duties and the state trading profits in the divisible pool. He said with emphasis that he very much preferred a strong and viable Centre which should have sufficient resources to come to the aid of the Provinces having special problems and requirements. He also suggested that the share payable to the former East Pakistan Province under existing arrangements should be added to the divisible pool and this pool be shared between the Federal Government and the Provinces in 20:80 ratio. He felt that Baluchistan should get at least 10% of this pool.

3. He drew the attention of the participants to past attempts at allocation of revenues between the Centre and the Provinces and said that although SIR OTTO NIEMEYER and others after him usually referred to three bases for division of revenues namely, population, incidence and relative backwardness, in actual fact population had been the major consideration all along. To illustrate his point he said that Punjab with 57% population of (West) Pakistan got a share of 56% and Sind with a population of 21% was allocated 23% as its share. He added that, instead of population, requirements and area of a unit should be given due weightage. He expressed the view that Baluchistan had a special case and not much had been done for that Province up to the Fourth Five Year Plan with the result that it was more backward than any other part of the country. It had no infrastructure and had few developed raw materials and sources of power. On the other hand, he believed, Sind and Punjab not only got the bulk of public sector investments but also benefited greatly from private investment. He wished to stress that similar opportunities should be provided to Baluchistan.

4. He also drew the attention of the members to the report of the Panel of Economists for the Fourth Plan which had recommended special weightage to the backward areas. He added that the Memorandum submitted by the Government of Baluchistan to the National Finance Committee in 1970 should be treated as a document before the present National Finance Commission while considering the case of Baluchistan.

5. The Chairman drew the attention of the member from Baluchistan to the constitutional provision about the functions and terms of reference of the National Finance Commission and said that the previous meeting largely discussed whether these terms were to be expanded. Since the consensus was that the Finance Division should initiate a proposal in this behalf and obtain the orders of the President, necessary action was being taken by the Finance Division and the outcome would be intimated to the members. Mr. Piracha said that for the reasons already given by him he did not agree that the terms of reference of the Commission should be enlarged.

Confirmation of Minutes

6. Taking up the agenda for the day, the members confirmed the minutes of the first meeting.

Working Paper for Second Meeting

7. The Federal Finance Secretary broadly explained the contents of the working paper prepared for the second meeting. He stated that a summary to have the terms of reference of the Commission expanded had been prepared but it needed a second look. It will be submitted for Finance Minister's approval shortly and the outcome will be advised to the members in due course.

8. Referring to specific data required by some members, he said that information on certain points had been collected and on others it was being obtained and would be submitted to the Commission. He drew the attention of members to data provided by the Secretariat in annexes to the working paper and said that the projections for the next five years indicated the position of revenues and non-development revenue expenditure of the Federal and Provincial Governments and forecast the net position as being in deficit for all the Governments. In a separate paper the position regarding grants-in-aid by the Federal Government had also been indicated with reference to item (2) of the Commission's terms of reference as indicated in paragraph 2 of the working paper. He added that, through a supplementary working paper, the Secretariat had also circulated the revised projections of the Government of Sind and certain changes reported by the Federal Finance Division in their estimates. The Commission had to proceed with its deliberations on the basis of the papers before it, he concluded.

9. Finance Secretary, NWFP, stated that as the development perspective of his province had changed since August, 1974, when he supplied the data to the Commission Secretariat, the projections and the deficit in respect of his Province were now far above what was forecast by him previously, especially in view of the increased emphasis on social welfare areas like Education and Health.

Working Group to firm up Projections

10. The Punjab Chief Minister observed that other Provinces might also come up with changes in figures unless a uniform criterion for working out the projections was laid down by the Commission. He suggested that a Working Group be constituted to prepare the projections on a uniform basis. He said that while the Federal Ministry of Finance had forecast a revenue deficit and so have the Provinces, the Planning Commission had estimated that there would be a surplus during the next five years. He pointed out that the rate of increase provided for certain services widely differed from Province to Province. He felt that an agreed rate of increase should be adopted by all the five Governments to ensure comparability of data. He suggested that there could be three possible approaches in working out the future projections, namely :—

- (1) Levels of revenues and expenditure can be kept even with moderate increases provided in both.
- (2) We can plan a big leap in the beginning, say the magnitude of 50% or 100% over the existing levels of revenue and expenditure, and after having attained a breakthrough to have gradual rates of increase thereafter.
- (3) We can plan continuous leaps without setting any limit of time in the hope of having quick development.

He said that the Commission must decide and agree on any one approach to the problem so that firm data were prepared accordingly.

11. Pointing out that all sorts of estimates might be sent to the Commission, Mr. A. G. N. Kazi agreed with Chief Minister, Punjab, that a group should be appointed to prepare a set of basic estimates. For that, he felt, basic assumptions must be given by the Commission so that uniform pattern

was evolved. He suggested that the five Finance Secretaries could get together and work within the framework laid down by the Commission. Mr. H. A. Majid supported the proposal and said that if the Group faced any obstacles in firming up the estimates, the Commission could resolve the difficulty.

12. Mr. Shahani felt that the proposed Working Group could only make an assessment about the resources and needs so that there was no dispute about the figures, but it would be in no position to recommend any apportionment as that was the job of the Commission. The Group could, however, work out the criteria for such apportionment in the light of the division of subjects between the Centre and the Provinces as given in the Constitution.

Considerations other than Quantitative Factors : NWFP's Point of View

13. Mr. G. M. Khan supported the views of the Punjab Chief Minister. He however felt that, besides the quantitative factors, certain basic political considerations will have to be kept in view by the Commission. Picking up the argument, the Punjab Chief Minister said that although facts like population, area, level of development, etc. were relevant factors but even now while meeting the provincial requirements considerations other than quantitative factors were being given due weight by the Federal Government. The same approach, he thought, could continue in the future. Mr. G. M. Khan felt that in view of the desirability of having a strong Centre, too much stress should not be laid on having a larger divisible pool. Mr. H. A. Majid observed that the Commission was only discharging its duty of advising on the shares to be assigned to Provinces and was in no way suggesting any reduction in the financial powers of the Federal Government.

Viability of Provinces also Important

14. The Punjab Chief Minister believed that there could be two ways of assigning the revenues to the Federal Government and the Provinces. Proceeds of certain taxes could be allocated 100% to the Federal Government while those of certain others could be allocated 100% to the Provinces and some taxes could fall in between these two categories. Whatever the approach adopted, the intention, he felt, should only be to make the Provinces more viable and responsible in managing their finances. If this purpose was achieved, he thought, the present practice of granting Federal loans to meet the Provincial deficits would no more be necessary. Mr. Shahani agreed with the Punjab Chief Minister and said that the Commission had to decide whether the Provinces should go to the Centre for their needs or should they have their own resources. He thought that the Provinces had no operational freedom under the first situation. He drew the attention of the members to paragraph 5 of the Working Paper showing summary position of the projected revenue deficits of the Provinces for the year 1975-76. He said that if the Provinces were self-sufficient in financial matters, they could ensure the viability at the whole economy.

Uniform Standard for Future Projections

15. Referring to the job to be assigned to the proposed Working Group, the Federal Finance Secretary said that preparation of revenue and expenditure estimates was a regular exercise carried out periodically in the Federal Ministry of Finance in close association with the Planning Division. He said that the Planning Commission had even laid down the growth rates at which increases in expenditure were to be estimated. He pointed out that, in spite of all the known assumptions adopted to work out the financial estimates wide variations were noted by him in the estimates of the different Provinces submitted to the

National Finance Commission. He was of the view that the Commission must give clear directive so that uniform standards were adopted to work out the future projections.

16. Mr. H. A. Majid observed that some of the long term policy decisions of the present Government were known. These included providing basic needs like universal education and food for all at reasonable cost. In view of such directives, he felt, the Provinces have of necessity to come up with increased requirements. He suggested that the Working Group could work out the period and the cost that it would take to introduce universal education. Similarly, it should be possible to estimate what volume of resources would be needed to ensure food at reasonable prices for all over a given period of time. Mr. Kazi thought that if some percentages were laid down to work out the rates of increase of certain items these might not suit all the Provinces. Some directives, he felt, could however be given to decide how taxation estimates were to be prepared, what growth rates were to be assumed, and what price structure was to be taken into account.

Different standards for smaller Provinces

17. At this stage, Mr. Piracha again drew the attention of the members to special needs of his Province in matters like General Administration, Police, Education, etc. and asked for a special treatment by the Commission. He said that the overriding need in his part of the country was for stability which could not be measured in terms of dollars and cents. Elaborating the point further, the Baluchistan Finance Secretary pointed out that no uniform standards for preparing estimates by different Provinces could be used because, he felt, the taxable capacity differed in each Province. He thought that Punjab and Sind could raise more revenues through local taxation and that their deficits should not be picked up by the Centre. He felt that all the Provinces have the temptation to enhance their non-development expenditure when they know that their deficit would be met by the Federal Government. He suggested that instead of increasing the divisible pool the Federal Government should themselves quantify what requirements of Baluchistan and NWFP they could meet, so that these two Provinces were more cautious in incurring their expenditure.

18. Mr. Shahani felt that the smaller Provinces should have no apprehension about their needs as the Constitution itself had provided certain pre-emption in their favour; for example, duties on natural gas have been guaranteed to Baluchistan and profits on electricity to NWFP. Mr. Piracha observed that notwithstanding this arrangement, these Provinces were not free to enhance prices and levies on the sources of the energy supplied by them to the rest of the country.

19. Mr. G. M. Khan suggested that all the Governments in the country should be more realistic in relating expenditure to resources. He pointed out that non-development expenditure had gone up not only in all the Provinces but also in the Centre. He believed that an ideal arrangement would be that money was spent where it could create more money. But since there was imbalance in the development levels of the different Provinces he thought that it might take 10 to 15 years to bring all of them to a similar level of development where similar criteria for taxation and public expenditure could be applied. He felt that Federal loans in the past somewhat indicated the level of infrastructure in a Province. He said that if *per capita* benefits of loans written off

by the Federal Government were worked out his Province has the least infrastructure. He was therefore of the view that investments in his Province in the past had been on the low side.

20. The Punjab Chief Minister stated that an edge had always been given at the national level to the special needs of Baluchistan and NWFP and that there had been no reluctance in the Punjab to make the necessary sacrifice. He however felt that instead of keeping aside a portion of the Federal revenues earmarked for smaller Provinces, a criterion should be laid down to give an edge to the requirements of these Provinces. He felt that if under-development of an area was the only consideration then there were less developed areas in the Punjab also which were given special treatment by the Provincial Government. Replying to an observation of Mr. Piracha that the shares given to Baluchistan and NWFP were largely based on their population, disregarding their backwardness, the Punjab Chief Minister said that during the last three years Baluchistan and NWFP had got much more than their population alone warranted. Mr. G. M. Khan pointed out that the money value of the past investments had no relevance to the investments made in the present inflationary situation and wished that this point be kept in view by the members.

Data to be prepared by the Working Group

21. Mr. H. A. Maïid felt that the basis of allocation was to be discussed in greater detail in the future. At the moment he wished that decision was made about the appointment of a Working Group to firm up the projected revenues and expenditure of the five Governments which were parties before the Commission. He suggested that the Group could possibly take the actuals of the two years 1972-73 and 1973-74 as a bench-mark and calculate the rates of increase of expenditure and revenue and apply these to the subsequent years. The Commission could then use this data to decide the share of each Government. The Federal Finance Secretary pointed out that certain developments like grant of special dearness allowance to Government employees, creation of new police agencies, etc. had taken place after those years which were also required to be taken into consideration.

22. Mr. A. G. N. Kazi wanted the Commission to consider the practical utility of the job to be assigned to the Working Group. He said that the exercise in which the Commission was engaged was largely related to non-development expenditure of the Federal and the Provincial Governments, there being a separate arrangement for financing the development expenditure through the ADP. He felt that as a basis for scientific decision, the Commission might like to consider what should be the legitimate non-development expenditure over the next five years and what resources could become available. To collect complete information, he said, each head of account might have to be gone into and the exercise could take a long time. For this purpose, he pointed out, difficult economic judgments may have to be made and rates of growth and behaviour of prices, export and excise duties may have to be assumed. With all these assumptions, he felt, the task that was being given to the Group would become difficult. He informed the Commission that in actual fact all the past Commissions, given similar assignment, had taken the ultimate decision not on a purely scientific basis but made a compromise based on population, level of development, origin of resources, incidence of expenditure, special needs and practical considerations. Mr. Shahani suggested that since the report of the present Commission was required to be laid before the Provincial Assemblies and the Houses of the Parliament complete data might be helpful in

understanding and discussion of the report. The other members also agreed on the need to have the data firmed up:

23. Mr. A. G. N. Kazi summed up the discussion about basic data to be used by the Working Group in making the projection, and suggested that the actuals for the year 1973-74 could be taken as the base and the estimates for 1974-75 improvised on the basis of such increases in expenditure as special dearness allowance, expenditure authorisations over and above the budget estimates, etc., etc. With the revised estimates for 1974-75 thus determined serving as bench-mark the projections could be worked out for the years 1975-76 to 1979-80 working on the following further assumptions:—

- (1) A constant price level should be assumed.
- (2) Rates of duties and taxes be taken as at present prevalent.
- (3) Non-development revenue expenditure of the Federal and Provincial Governments should be recast on a uniform basis after applying 15% annual growth in the case of beneficent departments (i.e., departments directly incharge of development effort) and 6% in the case of the rest of expenditure.
- (4) Definite quantitative measures should be applied in working out the future needs of certain departments. For example, the number of students to be imparted education at different levels could be indicated, the number of new beds to be provided in the hospitals could form the basis of estimating establishment for new hospitals. In the case of Agriculture, the new area to be brought under cultivation or the area to which certain agricultural facilities were proposed to be extended, could be mentioned. Similar criteria could be used by the Working Group for other welfare, economic and administrative activities in the different provinces.
- (5) Grants and subsidies by the Federal and Provincial Governments, at 1974-75 (revised) level, should be listed out separately.

He also suggested that, instead of Finance Secretary, the Additional Finance Secretary (Budget), Finance Division, should be the convenor of the Working Group and the Group should complete its assignment within a period of two weeks. Further, that in making its recommendations, the Working Group should indicate the methodology and record the reasons for any unusual features of the projections.

24. The Commission unanimously approved the suggestions of Mr. A.G.N. Kazi. It then briefly discussed the date of the next meeting. Tentatively, deciding to meet again on March 13, 1975, at Islamabad, the members expressed their thanks to the Chair and the meeting came to an end.

MINUTES OF THIRD MEETING OF THE NATIONAL FINANCE COMMISSION HELD IN COMMITTEE ROOM OF FINANCE DIVISION AT ISLAMABAD ON MONDAY, 31ST MARCH, 1975, AT 10 A.M.

The following were present :—

Members

1. Rana Mohammad Hanif Khan, Federal Finance Minister, *Chairman*.
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Mr. Ghulam Mustafa Jatoi, Chief Minister, Sind.
4. Sardar Ghaus Bakhsh Raisani, Senior Minister, Baluchistan.
5. Mr. G. M. Khan, Adviser to the Governor, NWFP.
6. Mr. A. G. N. Kazi, Secretary General (Finance and Economic Coordination), Government of Pakistan.
7. Mr. H. A. Majid (Punjab).
8. Mr. P. K. Shahani (Sind).
9. Mr. Umar Jan Khan (NWFP).

Officials

10. Mr. Abdur Raouf Shaikh, Finance Secretary, Government of Pakistan.
11. Mr. M. A. G. M. Akhtar, Additional Finance Secretary, Government of Pakistan.
12. Mr. Asif Rahim, Finance Secretary, Government of Punjab.
13. Mr. R. A. Akhund, Finance Secretary, Government of Sind.
14. Mr. Arshad Farid, Finance Secretary, Government of NWFP.
15. Mr. S. R. Poonegar, Finance Secretary, Government of Baluchistan.
16. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint Secretary, Finance Division, Government of Pakistan.
17. Mr. Inamul Haq, Secretary, Apportionment Committee (Finance Division), Government of Pakistan.
18. Mr. Q. M. Alimullah, Deputy Secretary, Finance Division, Government of Pakistan.
19. Mr. G. H. Abbasi, Deputy Secretary, Finance Department, Government of Sind.

20. Mr. Sikander Jamali, Deputy Secretary, Finance Department, Government of Baluchistan.
21. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

Confirmation of Minutes

2. The minutes of the second meeting of the National Finance Commission were considered and confirmed by the members.

Amendment of Terms of Reference of the Commission

3. The Federal Finance Secretary informed the meeting that, in pursuance of the suggestion made in the first and second meetings of the National Finance Commission, Finance Division had submitted a summary for the orders of the Prime Minister as to the amendment of the terms of reference of the Commission to include within its purview all export duties, all Federal excise duties and all state trading profits/losses related to exports. He said that the Prime Minister had been pleased to decide that no change in the terms of reference of the Commission was to be made.

4. Mr. Shahani enquired if the summary would form part of the Commission's proceedings so that the provinces could know the basis of the decision. Mr. H. A. Majid replied that the Commission did not come into this matter which was primarily one between the Provincial and the Federal Finance Ministers. As such there was no question of the summary forming part of the proceedings. The Punjab Chief Minister observed that his submission for amendment of the Commission's terms was intended to bring the position in conformity with the provisions of the Constitution, as the Constitution provided that other export and excise duties could also be specified by the President for inclusion in the terms of reference. He said that the provinces must get something out of the expanding sources of revenue to achieve a greater degree of self-reliance, because much of the provincial expenditure on development is related to construction of roads, hospitals, education, etc. which do not bring any additional revenue, whereas the Federal Government has expanding sources in industrial and commercial sectors of the economy. He observed that land revenue, abiana and other Provincial taxes had hardly any capacity for expansion and concuded by saying that he had absolutely no hesitation in accepting the orders of the Prime Minister but was bringing out what he thought was a contradiction in the approach towards meeting the needs of the provinces. He added that, while assistance was being given in other ways to meet the deficit of the provinces, no built-in arrangement was being made to make the provinces self-sufficient.

5. Mr. Shahani felt that since the Constitution had given separate functions to the Centre and the Provinces, division of taxes should follow these functions. He observed that since the Federal Government was charged with the responsibility of protecting the frontiers of the country, the customs duties should remain a Federal source; but the excise duties impinged on the Provincial functions and these should be shared with the provinces. He was of the view that the sources of revenue covered by the present terms of reference of the Commission would make allocations to provinces inelastic.

6. Mr. G. M. Khan thought that unless the Centre had control over greater resources it could not correct imbalance in the provinces that had a very low level of Federal investment in the past. Mr. H. A. Majid observed that he had

originally raised the question of enlargement of the terms of reference because he had noticed that some of the items included in the previous distribution of resources, like excise duties on tobacco, had now been excluded. The Federal Finance Secretary stated that, besides tobacco, tea and betelnut had also been excluded in view of the changed circumstances of the country.

7. Winding up the discussion on the point, the Federal Finance Minister observed that the entire position was fully brought out in the summary put up to the Prime Minister who had been pleased to take the decision in the best interests of the country. The Commission should better proceed with the consideration of the next item on the agenda.

Report of the Working Group on Budgetary Projections

8. The Chairman asked the Federal Additional Finance Secretary (Budget), who was convener of the Working Group, to inform the members about the findings of the Group. The Additional Finance Secretary stated that the sum and substance of the Working Group's findings had been summarized in paragraph 2 of the Working Paper* for this meeting of the Commission. Their calculation of the surplus of Federal revenues was based on certain assumptions which might not hold good in actual life.

9. He said that, apart from administrative expenditure, there were three major components of Federal Government's revenue expenditure; namely, defence, interest payments and subsidies. The Working Group had assumed a growth rate of 6 per cent in defence expenditure which in fact was very low considering the actual heavy increase in this expenditure over the years which pace, he said, was likely to continue. The current subsidy bill of the Federal Government, he said was calculated at a figure of over Rs 348 crores, based on revised estimates 1974-75. That meant a total expenditure of Rs 1,741 crores during the next five years. But as decided by the National Finance Commission, the expenditure on subsidies had been listed separately and not included in the projections. The projection of debt services estimates had been prepared by the Economic Affairs Division and adopted by the Working Group as it was. It was likely that this might also undergo a change as it was difficult to forecast accurately the liability on account of future borrowings. The projections of the Federal Government further assumed a growth rate of 15 per cent for development departments and of 6 per cent for revenue collecting and civil administration departments. These percentages were adopted on the basis of consensus in the Commission and at best represented only normal growth. He thought that with all these variables the position of the Federal revenues might greatly deteriorate.

10. He went on to say that, in the Provincial sphere, the Provinces had indicated that they have a deficit of more than Rs 200 crores under Irrigation on account of increase in working expenses because of escalation of costs and falling revenue. He cautioned that, with abnormal increases in non-development expenditure, continuation of subsidies and meeting of consumption expenditure through borrowing, there might well be all-round deficits instead of any surplus to share.

11. Mr. A. G. N. Kazi observed that the subsidies were a fact of life. It was difficult to predict if these could be eliminated. He, therefore, agreed that with increasing subsidies and rising defence expenditure there might be no surplus to share in the next five years. Taking up the argument, the Punjab Chief Minister felt that the Federal Government had still more capacity for taxation than the Provinces. He stated that by straining to the utmost the maximum

*See Appendix X, pages 111-112.

that his Province could additionally raise in the next five years could be Rs 75 crores, whereas the Federal Government by raising Rs 100 crores a year could collect Rs 500 crores by the end of this period. Mr. G. M. Khan emphasised that cutting down of non-development expenditure was another alternative which should be considered by all the Governments. The Federal Minister observed that at least further expansion should be stopped. The Senior Minister of Baluchistan did not agree that administrative expenses could be reduced or frozen in his Province as administrative network was required to be extended there from the point of view of national integration and defence.

12. Referring to the report of the Working Group, Mr. H. A. Majid thought that the facts brought out therein enabled the Commission to understand the position better than before. He pointed out, however, that by comparing the actuals for 1973-74 with the revised estimates for 1974-75 a tremendous expansion in non-development expenditure of the Provincial and Federal Governments was noticeable which made the future projections at growth rates of 6 per cent, 10 per cent or 15 per cent appear rather unrealistic. He therefore expressed the view that the recommendations of National Finance Commission need not be closely bound by the figures of projections as worked out by the Working Group. Mr. A. G. N. Kazi observed that a jump had occurred in the figures between 1973-74 and 1974-75 firstly because figures of debt servicing had been omitted from the actuals of 1973-74 and secondly because of impact of inflation in the latter year.

Need to control expenditure

13. The Federal Finance Secretary pointed out that the major share of expenditure was claimed by a few items which the Federal Ministry of Finance finds difficult to control. He illustrated his point by quoting the following figures about share of major items in the estimates for the year 1974-75 :—

	Percentage in original estimates	Percentage in revised estimates
Defence	50%	43%
Debt Services	19%	19.49%
Subsidies	11%	20%
Other Expenditure	20%	17.51%

He said that it was becoming difficult even to manage the consumption expenditure and there were only three possible ways to come out of this predicament, namely,—

- (a) control over expenditure,
- (b) mobilization of greater resources, and
- (c) resort to deficit financing.

He believed that even if a small amount could be saved by controlling expenditure, it was worthwhile doing so as there was a limit beyond which additional taxes could not be imposed. Deficit financing, he said, was the least desirable alternative which had disastrous effects on the entire economy. It was imperative therefore that all concerned exercise utmost economy and try to contain and gradually eliminate all subsidies, because use of borrowed money for consumption expenditure was really a very unhappy situation.

Size of Divisible Pool

14. Finance Secretary Punjab felt that if the sharable pool was not being enlarged then the task before the Commission was relatively easy. He thought that whenever a tax relief was contemplated by the Federal Government it was usually given out of the sharable sales tax which ultimately weakened the financial position of the Provincial Governments. Federal Finance Secretary clarified that while reducing the rate of a certain tax it is never the intention to dent the share of the Provinces. If it involves any loss to the Provinces it is always compensated.

15. The Chief Minister Punjab was of the view that the share of the divisible pool that went to the former East Pakistan province should now be allocated to the provinces. The Chief Minister Sind also supported this point of view. Mr. A. G. N. Kazi stated that with the most favourable assumptions the amount available to be divided between the Centre and the Provinces could be between Rs. 200 to Rs. 300 crores during the next five years. The share of former East Pakistan would automatically go to the four Provinces when the Distribution of Revenues Order was modified in accordance with the recommendations of the National Finance Commission. He said that two sets of percentages had to be worked out by the Commission to determine, firstly, how much of the divisible revenue should go to the Federal Government and, secondly, in what manner should the remaining portion be divided among the Provinces.

16. Finance Secretary Sind felt that the Federal projections were overstated by inclusion of certain non-recurring items in the Federal figures. He also felt that there was no linkage between the projections made by the Finance Division and those worked out by the Planning Commission. He stated that the Planning Division had projected a 9 per cent increase in Federal taxes. He thought that even if a 6.5 per cent increase was assumed an additional amount of Rs. 200 crores per annum could be collected by the Federal Government through elasticity of Federal taxes. Additional Finance Secretary (Budget) clarified that although the Planning Commission's projections were being examined afresh by a separate working group, Finance Division had used the same figures as far as possible in their projections.

17. Mr. H. A. Majid doubted the correctness of working out the collection charges of Federal taxes at 5 per cent of the proceeds, as estimated by the Federal Government. The Federal Finance Secretary clarified that, under the Constitution, these are actually required to be determined by the Auditor-General. Mr. H. A. Majid wanted more information about the extent and nature of subsidies. The Federal Finance Minister drew the attention of the member to the contents of Annex VIII* to the Working Paper which gave the required information. By way of illustration, the Federal Finance Minister stated that while the Federal Government paid a higher price for wheat imported from abroad or procured at home, it sold the same at lower prices thus incurring a loss which constituted subsidy. Mr. H. A. Majid felt that better facilities for education, health, housing and subsidized food to the people under the policies of Government involve additional burdens to the provinces. This consideration should be given due weight by the Commission when it makes its recommendations.

Special case of Baluchistan

18. The Senior Minister of Baluchistan reiterated the case of Baluchistan for special consideration. He said that backwardness of Baluchistan was well

*See page 150.

known and whatever was being given to his Province now was largely eaten away by inflation. To make up for the past neglect Baluchistan must get about 10 per cent of the divisible pool. He added that in case of his Province population could not be a relevant criterion. People there lived scattered over vast area and a bigger share was needed to bring their economy to the level of that of the other Provinces. Clarifying the position further, the Finance Secretary Baluchistan said that past neglect of Baluchistan could be established by working out the *per capita* figures of loans written-off and the actual development expenditure made in his Province over the last many years. He said that whatever money was being spent there now was mostly on the extension of administration. The cost of building materials had soared very high and construction rate per square foot was twice the rate that was prevailing in Karachi. He added that, on account of vast area and sparse population, one primary school could only cater to a small number of children and the roads could serve only a few persons per mile. He felt that, with the expenditure on law and order rising and the impact of inflation on development projects, his Province needed special treatment.

19. Mr. H. A. Majid wanted to know the amount of royalty/excise duty on gas that was accruing to Baluchistan and whether it was expected to increase. Mr. A. G. N. Kazi pointed out that while this figure had amounted to Rs 19 crores during 1974-75, a saturation point in the use of gas was likely to reach in the near future. Mr. H. A. Majid also wanted to know the magnitude of export duty on cotton and its future prospects. In reply, it was pointed out by the Federal Finance Secretary that while an amount of Rs 54 crores was expected to be collected through this duty during 1974-75, a sum of Rs 27 crores was likely to be paid to the Cotton Export Corporation by way of subsidy. He expressed the fear that prospects of receipts from export duty on cotton were not too good in the near future.

20. Mr. A. G. N. Kazi then suggested that the Provinces should be invited to offer their views as to the percentage in which the divisible revenue should be shared between the Centre and the Provinces. The Provincial representatives suggested the following percentages :—

	Federal share	Provincial share
Senior Minister, Baluchistan	20%	80%
Chief Minister, Punjab	10%	90%
Chief Minister, Sind	10%	90%
Advjser NWFP	20%	80%

Before giving his viewpoint, Mr. H. A. Majid wanted to know how much annual income was derived by the Federal Government from the excise duty on tobacco. Federal Finance Secretary said that a collection of Rs 103 crores was expected during 1974-75 from this source but this amount included duty on cigarettes also. Mr. Majid felt that since the Provincial responsibilities had increased under the Constitution they must get reasonable share of revenue to discharge those responsibilities. He therefore felt that the duties and taxes specified in the terms of reference of the Commission did not provide them an adequate share. He said that he would not object to 80 per cent of the divisible revenue going to the Provinces but felt that it would not be sufficient to meet the requirements of the Provinces. He suggested that this point should be considered while the question of grant-in-aid was discussed by the Commission.

21. Federal Finance Secretary stated that the question of division of Federal revenues between the Centre and Provinces had been examined by some eminent authorities in the past. He said that both SIR JEREMY RAISMAN in case of Pakistan and SIR OTTO NIEMEYER in British India days had emphasised the stability of Central finances as an issue of fundamental significance in making their recommendations. While considering the question of expansion of the terms of reference of the Commission the Prime Minister had also observed that this was a matter of paramount importance with him. He hoped that the members will give due consideration to this point.

22. Referring to the suggestions made by members as to the percentage of allocation of Federal revenues between the Federal Government and the Provinces, the Federal Finance Minister observed that only two proposals had been made—one favoured 10 : 90 ratio and the other was for 20 : 80 allocation. He thought a *via media* could be a 15 : 85 ratio. He, however added that this was only a suggestion and invited the comments of Mr. A. G. N. Kazi on it.

23. Mr. A. G. N. Kazi observed that although 80 per cent of the divisible revenue was assigned to the Provinces in the past, the position had changed after the separation of East Pakistan so that only about 37 per cent was now actually going to the Provinces and the rest of the amount was being used by the Federal Government to meet its additional responsibilities. He said that if more was now shifted to the Provinces the Federal Government would become less viable. This could have an adverse effect not only internally but also on the assessment of the Federation's financial status by the aid-giving agencies. He said that while about Rs 135 crores was being assigned to the Provinces under the present arrangement, this figure would rise to Rs 221 crores if their share of the divisible revenue was fixed at 85 per cent. He apprehended that additional transfer of about Rs 100 crores to the Provinces would seriously affect the Federal finances. The Federal Finance Secretary stated that this would also affect the ability of the Federal Government to make grants-in-aid to the Provinces. Mr. Kazi thought that 85 per cent was much too high and that he would have preferred 70 per cent to 75 per cent. Mr. H. A. Majid stated that not only the constitutional obligations of the Provinces had increased, they were also expected to share their own taxes with the local bodies. He felt that the share of former East Pakistan province which had been retained by the Centre should now revert to the Provinces.

24. Mr. Shahani suggested that the Federal Government must guarantee a minimum amount to the Provinces irrespective of what was collected by it. Supporting the views of Mr. H. A. Majid, he felt that not less than 90 per cent of the divisible revenue should go to the Provinces.

25. Summing up the discussion on the size of the divisible pool, the Chairman expressed the view that there seemed to be a common ground on a ratio of 15 : 85. He said that effort should be to reach a general consensus in this regard and no reservations be made and no conditions attached to the ratio that may be agreed upon. The members endorsed Chairman's point of view and a consensus was reached that the allocation of divisible Federal revenues between the Federal Government and the Provinces should be in the ratio of 15 : 85.

Percentage shares of Provinces in the Divisible Pool

26. On the question of the share of each Province in the divisible pool, the Chief Minister Punjab observed that a definite criterion should be fixed for

allocating shares to Provinces. He said that the Federal Government should give due consideration to the needs of the under-developed areas through grant of aid from resources available with it. If the needs of the under-developed areas had to be met out of the Provincial pool then, he suggested, a certain amount should be reserved for them and the rest distributed according to an agreed formula. He said that the Provincial shares should be worked out either according to the contribution made by a Province in generating Federal revenues or on the basis of population or according to the capacity of a Province to use the money.

27. Chief Minister Sind generally agreed with the Chief Minister Punjab and said that the three broad principles of population, collection and needs were the proper guidelines to be followed. He also conceded that the under-developed areas needed to be developed but felt that the Federal Government should find some way of meeting their needs outside the 85 per cent pool. Mr. G. M. Khan pointed out that the ability of a province to undertake development efforts was related to its infrastructure. Quoting figures, he said that NWFP got much less of the Federal funds in the past than was warranted by its population. He therefore felt that inter-Provincial distribution of the 85 per cent portion should be so devised as to correct the past imbalance. The Senior Minister from Baluchistan said that in view of the greater need of his Province for building up infrastructure and maintaining law and order, the share of his Province should not be based on population alone. He felt that while his expectation of a 10 per cent portion of the 85 per cent pool was fair, he could modify his stand if his Province was given at least 6 per cent of the Provincial portion of the pool.

28. Mr. H. A. Majid expressed the view that taking population as the criterion, the correct percentages would work out as follows :—

Punjab	..	..	..	..	..	60%
Sind	..	..	..	..	..	22.5%
NWFP	..	..	..	..	..	13.5%
Baluchistan	..	..	..	..	..	4%

He added that under the existing arrangement 30% of the sales tax was allocable to former East Pakistan province on incidence basis and the remainder was distributed on population basis.

29. Finance Secretary Punjab was of the view that, since the division of revenues under consideration by the Commission was intended mainly for financing non-development expenditure and the financing of development expenditure was considered separately, the smaller Provinces could continue to be given an edge in the allocation of development assistance.

Review of Federal responsibility required

30. The Federal Finance Secretary informed the meeting that any new sharing arrangements in respect of Federal revenues would also open up for review the entire question of Federal responsibility for assistance to the Provinces. He stated that with about 100% increase in the share of the Provinces consequent upon the adoption of 15 : 85 ratio, Federal capacity to assist the Provinces would diminish and, therefore, the whole fabric of subventions, special grants, etc. would need to be reconsidered. He emphasised that provincial

autonomy must be considered to include financial autonomy also. He said that all the four Provinces were in fact deficit provinces and have therefore to make every effort to become financially independent and viable units. He added that the Provinces whose deficits were traditionally picked up by the Federal Government had shown a kind of financial indiscipline in managing their affairs and this had put additional burdens on the Federal Government leading to deficit financing which can undermine the economic health of the country. He therefore suggested that whatever had to be given to smaller provinces had to be found out of the 85% allocation agreed to for all the Provinces.

Allocation criteria and special needs

*31. Elaborating his viewpoint further, the Federal Finance Secretary stated that whatever arrangement was finally agreed upon it should be such as would give certain leeway to the Federal Government, so that it could come to the aid of any Province in time of dire need and at the same time leave it sufficiently viable as to qualify for foreign assistance. He referred to the different criteria that were being advanced for determining the shares of the Provinces and said that traditionally population had been given more weight in Pakistan because of the peculiar circumstances of former East Pakistan province. Incidence, need, backwardness, capacity of a unit to generate revenues, and similar other arguments had been attached various degrees of importance by the different provinces. He said that whatever criterion was ultimately adopted it should ensure that the viability of a unit and financial discipline go together. He pointed out that comparatively larger allocation for development to a particular unit creates correspondingly greater need for non-development expenditure. Referring to an earlier proposal** of the Chief Minister Punjab, the Federal Finance Secretary suggested that the provincial pool could possibly be divided into two parts—one portion for transfer of resources on certain agreed formula and the other for meeting the special requirements of backward areas. He said that the reserve for backward areas could be determined by keeping in view what had been given to them in the past and what were their future needs meriting special consideration. He added that, to qualify for special consideration, a geographical unit should be considered as a whole and not a particular Division or District in it.

*32. Chief Minister Punjab observed that 5% of the amount out of 85% portion assigned to Provinces could be reserved for giving an edge to certain smaller provinces. He was, however, of the view that special needs of all the four Provinces needed to be considered as there were under-developed areas in all of them, and that the allocation should be based on rational, objective and ascertainable criteria. The Senior Minister Baluchistan did not support this view and pleaded for special consideration being given to Baluchistan. Mr. H. A. Majid felt that this matter had better be decided after the question of grants-in-aid had been discussed by the Commission. The members agreed with Mr. H. A. Majid and it was unanimously decided that this issue would be further considered in the next meeting of the Commission when members should come up with definite suggestions as to the desirable criteria.

33. The Commission tentatively agreed to meet again at Islamabad on 11th April, 1975 at 9.30 A.M. and the meeting ended with a vote of thanks to the Chair.

*As amended, *vide* paragraph 3 of minutes of Fourth Meeting, page 37.

**See paragraph 26.

MINUTES OF FOURTH MEETING OF THE NATIONAL FINANCE COMMISSION HELD IN COMMITTEE ROOM OF FINANCE DIVISION AT ISLAMABAD ON THURSDAY, 17TH APRIL, 1975 AT 10 A.M.

The following were present:—

Members and other Provincial Representatives

1. Rana Mohammad Hanif Khan, Federal Finance Minister, *Chairman*.
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Sardar Ghaus Bakhsh Raisani, Senior Minister, Baluchistan.
4. Mr. Pyarali Allana, Minister for Education, Government of Sind.
5. Mr. Saifullah Khan Piracha.
6. Mr. G. M. Khan, Adviser to Governor, NWFP.
7. Mr. A. G. N. Kazi, Secretary General (Finance and Economic Coordination), Government of Pakistan.
8. Mr. H. A. Majid (Punjab).
9. Mr. P. K. Shahani (Sind).
10. Mr. Umar Jan Khan (NWFP).

Officials

11. Mr. Abdur Raouf Shaikh, Finance Secretary, Government of Pakistan.
12. Mr. M. A. G. M. Akhtar, Additional Finance Secretary, Government of Pakistan.
13. Mr. Asif Rahim, Finance Secretary, Government of Punjab.
14. Mr. R. A. Akhund, Additional Chief Secretary, Government of Sind.
15. Mr. S. R. Poonegar, Finance Secretary, Government of Baluchistan.
16. Mr. Nisar Ali Shah, Finance Secretary, Government of Sind.
17. Mr. Mohammad Amjad, Additional Finance Secretary, Government of NWFP.
18. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint Secretary, Finance Division, Government of Pakistan.
19. Mr. Inamul Haq, Secretary, Apportionment Committee (Finance Division), Government of Pakistan.
20. Mr. Q. M. Alimullah, Officer on Special Duty, Finance Division, Government of Pakistan.
21. Mr. G. H. Abbasi, Deputy Secretary, Finance Department, Government of Sind.
22. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

Confirmation of Minutes of Third Meeting

2. The minutes of the third meeting were first taken up for consideration. Referring to contents of paragraph 32 of the minutes, the Senior Minister Baluchistan pointed out that he had not agreed to the view of the Chief Minister Punjab

and had pleaded for special consideration being given to Baluchistan. The Chief Minister Punjab stated that in pressing for consideration of special needs of all the four Provinces he had particularly mentioned that there were underdeveloped areas in all of them. Participating in the discussion, Federal Finance Secretary pointed out that he too would like his view to be recorded that in defining a backward area the whole geographical unit should be taken into consideration and not just a Division or District of it.

Subject to the foregoing observations, the minutes were otherwise confirmed.

3. The minutes of third meeting of the National Finance Commission have been amended as follows to take account of the aforementioned observations :—

Paragraph 31 of minutes.—The following has been added as the last sentence of this paragraph :

“ He added that, to qualify for special consideration, a geographical unit should be considered as a whole and not a particular Division or District in it.”

Paragraph 32 of minutes.—The paragraph has been reconstructed as follows :—

“ 32. Chief Minister Punjab observed that 5% of the amount out of 85% portion assigned to Provinces could be reserved for giving an edge to certain smaller provinces. He was, however, of the view that special needs of all the four provinces needed to be considered as there were under developed areas in all of them, and that the allocation should be based on rational, objective, and ascertainable criteria. The Senior Minister Baluchistan did not support this view and pleaded for special consideration being given to Baluchistan. Mr. H.A. Majid felt that this matter had better be decided after the question of grants in-aid had been discussed by the Commission. The members agreed with Mr. H.A. Majid and it was unanimously decided that this issue would be further considered in the next meeting of the Commission when members should come up with definite suggestions as to the desirable criteria.”

Provincial shares in Divisible Pool

4. The Chairman invited the views of the members as to the desirable criterion or criteria for determination of Provincial shares in the divisible pool. The Senior Minister Baluchistan said that the pool should not be divided on the basis of population alone as this arrangement would be unfair to the provinces which had remained backward due to past neglect. He suggested that, besides population, considerations such as under-development, past neglect, and area of a Province should weigh largely in any decision. The area of his Province was of particular importance because any roads, schools, hospitals, etc. built rendered service only to a few people on account of the vastness of area and sparse population. He said that his Province had a vast potential to utilize mineral and ground-water resources and considerable scope for development of the coast and fisheries and, consequently, had greater needs by way of infrastructure ; therefore he would be justified in asking for 10% of the divisible pool as against 4.5% at present being received by his Province.

5. As to the viewpoint of the Punjab Province, the Chief Minister Punjab asked his Finance Secretary to state it. Finance Secretary Punjab drew attention of the members to discussions held in the third meeting of the Commission and

stated that three relevant criteria had been advocated in that meeting, namely, incidence of sharable taxes, population and needs. The criteria of incidence and needs, he said, posed problems. For instance, in the case of sales tax, although the tax was levied at source the actual incidence fell on consumers which may be in other geographical units than the one in which this tax was collected. He said that similarly the needs would be difficult to quantify because of subjective considerations involved. According to him, both these criteria were eventually linked to population as meeting the needs of the people was the final end. He, therefore, suggested that population alone was the most workable and reasonable basis for a just and equitable sharing of Federal revenue assignments. He pointed out that, under the current award, the Punjab had been receiving less than its population ratio; that is to say, it had received 56.5% of the divisible pool against its population ratio of 62.3%. He added that the Punjab now expects to receive revenue assignments in proportion to its present population ratio of 60.25%.

6. Referring to Baluchistan's point of view, the Finance Secretary Punjab conceded that areas which had received inadequate attention in the past should be given special attention. He, however, felt that this aspect could more properly be taken care of when funds for Provincial annual development programmes are allocated, whereas the National Finance Commission was actually concerned with making adequate provision for day to day revenue expenditure of the Provinces. He stated that with increasing yields of royalty/excise duty on natural gas, the position of Baluchistan would continue to improve whereas the position of his Province was that with its vastly increasing population it was facing the biggest deficit in meeting its revenue expenditure. Supplementing the Finance Secretary's remarks, Chief Minister Punjab added that if his Province was not given its due share his Government would face political difficulties as an impression was prevalent among the people that the Punjab had been neglected.

7. Giving the viewpoint of Sind Government, Mr. Pyarali Allana said that the basic consideration with him was where the revenues came from. He felt that the first criterion should be the source of revenue, and population should only be a secondary consideration. According to him, greater share should be given to the Province that generated the largest amount of Federal revenue. Referring to the argument of under-development of an area that was advanced earlier, he said that Karachi did not represent the state of development of the rest of Sind and that parts of Sind were as under-developed as were parts of Punjab or even Baluchistan. He added that Baluchistan was already rich in natural gas and oil might also be discovered there soon. These factors would greatly improve the financial position of that Province. If any weightage was to be given to under-developed areas it should be in the matter of development financing.

8. Additional Chief Secretary, Sind, taking part in the discussion wished to dispel the impression created in the report of the Working Group regarding the size of deficit of his Province. He said that the Working Group had accepted the basic figure of Rs 49 crores as the revenue of Sind and Rs 94 crores as its expenditure met from revenue, whereas the revenue figure should be Rs 52 crores and the expenditure estimate Rs 127 crores. He felt that higher provision for expenditure was necessary as some of the facilities available to Government employees elsewhere had still to be provided in Sind. More money was also required by his Province to meet the rising needs of Medical Colleges and for grants to Universities. The National Finance Commission, according to him, was concerned more with the balancing of budgets of the Provinces, whereas the need for growth of areas like Baluchistan should be met through the annual development programme. He said that of all the three criteria of need, incidence and population, he supported incidence as the main factor for consideration. He said that industrial centres

and concentration of population in urban areas had put irresistible claims for social infrastructure on the resources of his Province. He felt that the incidence as he understood it could be translated in terms of the Provincial contribution to the gross revenues.

9. Mr. G.M. Khan stated on behalf of NWFP that, taking a Provincial entity as a whole, Federal investments in a Province was an important factor in determining the level of development of a Province. Quoting from the preliminary and rough data circulated in the third meeting of the National Finance Commission, he said that the total Federal investment of about Rs 25 billion made during the last 20 years was distributed among the different Provinces roughly in the following ratio :—

Punjab	39%	[Note by NFC Secretariat.—The statement at Annex I* shows the exact figures based on the aforesaid data. The percentages actually are: Common 18.18%; Punjab 43.11%; Sind 32.82%; NWFP 3.64%; Baluchistan 2.25%].
Sind	..	..	53%
NWFP	..	..	1%
Baluchistan	..	..	2%

He emphasised the necessity of correcting this position by relating the investments to population and suggested that this measure should be termed as 'Correction of Economic Imbalance' and introduced as a new reform by Government.

10. Mr. H.A. Majid wanted to know if the figures of Provincial *per capita* income were available. The Federal Finance Secretary informed him that although the Statistics Division and the Planning Division were requested by the Secretariat for information on economic indicators specified by Governments of Sind and Baluchistan, their reply was that *per capita* income figures were not available with them.

Inter-Provincial Shares

11. Senior Minister Baluchistan stated that a great deal had to be done in his Province which involved heavy expenditure. He said that new areas had to be opened up and services like police, civil administration, education and medical facilities had to be extended to remote areas. He therefore suggested that his Province should be allocated at least 10% of the divisible pool. On the question of his opinion about a formula for distribution of Provincial shares of the divisible pool, he suggested that 40% of the divisible pool should be divided on population basis, 20% on the basis of area, 20% to compensate for past neglect, and the remaining 20% according to incidence of collection.

12. Asked for his views, Mr. H.A. Majid observed that if incidence was accepted as the criterion then a number of problems could arise. He pointed out that while the export duty on cotton was collected at Karachi, 60% of it was produced in Punjab and 40% in Sind. Similarly, sales tax was collected at source of production or distribution but the goods on which it was levied could be sold elsewhere. It was thus difficult to find its incidence. If need was regarded as the main criterion then it will have first to be determined as to what the actual needs were. This might involve a variety of considerations and different criteria. He felt that the Commission could not form a definite opinion about the incidence or the needs and, therefore, he recommended that population ratio, or ratios as near the population as possible, be adopted by the Commission as a basis for inter-provincial apportionment.

13. Mr. Shahani in expressing his views recalled that three parameters namely, population, incidence and need were identified for inter-Provincial allocation. He felt that all the three should be considered by finding out (i) the

*See page 45

bodies which collected the taxes, (ii) the level of Government at which and areas in which these collections were made, and (iii) how the proceeds were utilized. He suggested that, based on these considerations, separate bases of allocation of the proceeds from the divisible taxes falling within the purview of the Commission might be worked out.

14. Mr. Shahani briefly stated the history of the previous awards and observed that, while SIR OTTO NIEMEYER was entrusted with this assignment under the 1935 Act and SIR JEREMY RAISMAN was called after Independence, it was only the Commission set up under the Constitution of 1962 that made a report on the removal of disparity besides advising on the allocation of revenues. No such assignment, he stated, had been given to the present National Finance Commission and expressed the view that this was presumably because the 1973 Constitution itself guarantees certain revenues to the smaller Provinces. A basic amount was thus assured to Baluchistan and NWFP, in addition to what they would get under the recommendations of the National Finance Commission, and this should allay the fears of the smaller Provinces. Clarifying the position with regard to Mr. Shahani's point about removal of disparity, Federal Finance Secretary stated that under Article 156 (2) of the Constitution, the National Economic Council had been made responsible for reviewing overall economic condition of the country and formulating plans in respect of financial, commercial, social and economic policies. In doing so the Council was to be guided by the principles of policy set out in the Constitution. Thus there was a built-in mechanism *inter alia* for removal of economic disparity.

15. Continuing, Mr. Shahani observed that the Provincial deficits were beyond the capacity of the Provincial Governments to meet. He said that urban areas put great strain on the resources of the Provinces and the more urban areas a Province had the higher unit costs it had to bear for providing essential services to the urban population. He contended that a certain percentage of divisible pool should be allocated to the Provinces on the basis of unit cost of services and the rest related to incidence and population.

16. The ability of a Province to contribute to mobilization of Federal resources was another relevant factor according to Mr. Shahani. Comparing the *per capita* Federal tax receipts with *per capita* Federal revenue assignments he quoted the following Provincewise figures :—

					Per capita tax receipts	Per capita revenues assignment
Punjab	..	..	..	..	15	17
Sind	..	..	..	..	22	19
NWFP	..	..	..	..	6	13
Baluchistan	..	..	..	..	4	21

Concluding his remarks, Mr. Shahani recommended that at least 60% of the divisible pool should be assigned on population basis.

17. Mr. Umar Jan Khan was of the view that population should not be the sole basis for allocation. He felt that the entire approach should be in a spirit to

ensure national integration in a manner that it should be acceptable to the people in all the Provinces. He thought that if the source of an item of revenue was the sole consideration then his Province could claim that if the Federal excise duties on sugar and tobacco were made over to the NWFP in their entirety his Province would not be in need of any of grant-in-aid. He, however, felt that, since the whole country was one, a formula acceptable to all the Provinces be evolved. He cautioned that if the past injustice was ignored then there might be bitterness in some Provinces.

18. Mr. Saifullah Khan Piracha said that the past awards had all mentioned population, incidence and need as the basis for apportionment but he felt that removal of past injustice should come before need. He emphasised that as the past investment and current revenues were related, Baluchistan should be developed to make up for the past neglect so that it can stand on its own legs. He stated that although Sui Gas had been a great boon to his Province, its prices were still not the same as on the international level and his Government would not like to put any burden on the national economy by having them raised. He, however, mentioned that as political changes were taking place in his Province and Sardari system was being replaced by regular administrative set up, his Province needed special treatment. He, therefore, reiterated his earlier demand that at least 6% of the divisible pool should be allocated to Baluchistan.

Different formulas for Provincial Shares

19. Mr. A.G.N. Kazi reviewed the criteria advanced by the other members and said that of all the four bases, namely, population, incidence, relative backwardness, and need, population was an element on which there had been greater agreement in the past and was even now accepted as basic element by most of the members. Incidence, he felt, was always difficult to determine as collection is not the same thing as incidence. He said that incidence of income tax could not be correctly calculated in the past separately for East and West Pakistan even when the two units were geographically separate. Similarly, sales tax was collected at the stage of production or sale but it was not easy to determine whether its burden fell on the consumers or the industrialists. At this stage Mr. Pyarali Allana mentioned the following figures of collection of Federal excise duties, income tax and wealth tax from different Provinces to illustrate that incidence was workable :—

				Federal duties of excise	Income tax	Wealth tax
Punjab;	..	..	..	33.1%	29.8%	33.9%
Sind	..	..	..	58.7%	65.6%	62.0%
NWFP	..	..	..	7.9%	4.4%	4.0%
Baluchistan	..	..	..	0.3%	0.2%	0.1%

Continuing his observations, Mr. Kazi pointed out that collection and incidence were not the same thing as all the things were not always consumed in the same Province in which they were produced. As regards the relative backwardness as a criterion, he felt that it was also difficult to be quantified. Similarly, past investment and current revenues were not necessarily correlated. In his view, removal of backwardness was to be considered in the context of the future when the question of need would also come in. He said that needs of development were met

differently through the ADP and had nothing to do with the allocations to be recommended by National Finance Commission. Concluding his remarks, Mr. Kazi suggested that, since the non-development gap could be met by keeping the existing inter-Provincial distribution, no change was necessary in the existing percentages. He added that with increasing income from natural gas, the existing distribution would be fair to Baluchistan also.

20. Mr. Shahani disagreed with Mr. Kazi's suggestion that existing ratios should continue. He said that, due to certain calculation mistakes in the previous award, Sind got 1/2% less than what it should have received. He added that Provinces with larger urban areas had greater articulate population whose requirements were to be met and went on to suggest that the criteria recommended by him being measurable should be adopted by the Commission. Mr. Allana felt that population could not be a criterion and if it was made so then the framers of the Constitution should have provided that with every new census allocable shares of the Provinces be revised according to their latest figures of population.

21. Federal Finance Secretary reviewed the discussion about the inter-Provincial ratios and stated that all the criteria mentioned by the members had been suggested to the past Commissions also. Reducing all these to a definite meaning had been a problem with all of them. According to him, the object of sharing was that allocation of revenues should follow the sharing of responsibilities. This, he thought, was intended to meet the requirements of those units which could not meet their own administrative costs and to provide budgetary support to Provinces having casual deficits. Notwithstanding these considerations, the Constitution provided that the units should be financially autonomous and should be able to meet their own needs. He, therefore, suggested that the following three principles could be kept in view by the Commission :

- (1) Financial viability of Provinces should be assured.
- (2) Easily workable and explainable formula should be adopted.
- (3) Needs and standards of administration should be adequately catered for.

22. Federal Finance Secretary added that considering the prospects of royalty duty on natural gas and net profits of bulk power generation for the Provinces of Baluchistan and NWFP, there could be another method of distribution of the divisible pool. He said in accordance with the suggestion of the Punjab Chief Minister in the last meeting of the Commission, 80% of the pool could be divided in the existing ratios as suggested by Mr. A.G.N. Kazi, and the remaining 5% could be allocated wholly to NWFP.

23. Mr. Shahani wanted to know if the Federal Finance Secretary was expressing the views of the Federal Government or those of his own in advancing his formula. The Federal Finance Secretary informed him that he was discharging his duty as an expert called upon to assist the Commission.

24. Mr. H.A. Majid did not agree to any of the formulas that had so far been advanced. He was of the view that population figures were the only reliable criterion and if this arrangement did not give sufficient revenues to a Province then a subvention may have to be considered by the Commission.

25. Some more formulas were put forward by the members. The Senior Minister Baluchistan suggested that if the Punjab could give 1-1/2% and Sind 1%

out of their existing shares to NWFP and Baluchistan, the resultant percentages could be as follows :—

					Percentage shares under existing formula	Formula proposed by Senior Minister Baluchistan
Punjab	..	..	..	..	56.5%	55.0%
Sind	..	..	..	..	23.5%	22.5%
NWFP	..	..	..	..	15.5%	17.0%
Baluchistan	..	..	..	..	4.5%	5.5%

Finance Secretary Punjab said that his Province could not accept this as, with mounting deficits, they were already finding it difficult to maintain the existing infrastructure with the current rates of allocation. The Punjab Chief Minister observed that, with 62% of the population of Pakistan, Punjab had been getting 56.5% and now with 60.25% of the population it must get whatever is its due according to population level.

26. Mr. G.M. Khan recommended that two-thirds of the divisible pool should be divided on population basis and remaining one-third on the basis of underdevelopment of a Province with relevance to past investments.

27. Federal Finance Minister suggested that, of the divisible pool of 85%, 80% should be divided on population basis and the remaining 5% equally among all the four Provinces. Punjab Chief Minister and Mr. H.A. Majid agreed to this suggestion subject to the understanding that existing actual population ratios were used in apportioning 80%. Baluchistan also agreed but Mr. Pyarali Allana and Mr. P.K. Shahani did not accept it and alternative proposals were made by them. Mr. Allana suggested that 50% of Provincial share should be divided on the basis of population and 50% according to the source of collection. Mr. Shahani recommended that 60% should be on population basis, 30% according to source of collection, and the remaining 10% on the basis of needs as determined by unit cost of services and visible deficits in the Provincial budgets.

28. Noting the difference in the viewpoints of the Provinces, the Federal Finance Minister proposed another formula. His suggestion was that 80% be divided in the ratio of population of different Provinces and the remaining 5% be split between NWFP and Baluchistan in the ratio of 3 : 2. The formulas suggested by the Finance Minister compared with the existing arrangement as follows :—

			Existing distribution percentages	Distribution per- centages if 80% is allocated on popu- lation basis and 5% equally to all Pro- vinces	Percentage distribu- tion of 80% on population basis with additional 3% to NWFP and 2% to Baluchistan
Punjab	..	..	56.5%	58.17%	56.70%
Sind	..	..	23.5%	22.65%	21.18%
NWFP	..	..	15.5%	14.08%	16.14%
Baluchistan	..	..	4.5%	5.10%	5.98%
Total	..	..	100%	100%	100%

However, the suggested arrangement was not acceptable both to Punjab and Sind. Mr. A.G.N. Kazi observed that if more had to go to Baluchistan and NWFP then something had to be given up by the other two Provinces. He felt, however, that with assured royalty on natural gas to Baluchistan and likely future income from Tarbela to NWFP these two Provinces would not need any special concessions. He suggested that likely effect of Tarbela on NWFP should be worked out. Federal Finance Secretary thought that conditional recommendation could be made in respect of NWFP to the effect that after the income from Tarbela started flowing no special treatment would be given to that Province.

Meeting between Chief Ministers and Federal Finance Minister

29. Mr. Pyrali Allana observed that as no one formula had been agreed upon in the meeting, the Federal Finance Minister might call a meeting of the Chief Ministers to discuss the matter further and to reach agreement. Punjab Chief Minister supported this suggestion and expressed the view that the proposed meeting could facilitate the task of the Commission in arriving at a solution that should be just and correct both economically and politically. Accordingly, it was unanimously decided that the Chief Ministers would meet the Finance Minister on a date convenient to them and that the next meeting of National Finance Commission would be convened after they had met. Thereafter the fourth meeting of the Commission came to an end.

Annex ILOCATIONAL INVESTMENT OF FEDERAL GOVERNMENT DURING
PLAN PERIODS

(Rs in lakhs)

	Up to 1955	1955—60	1960—65	1965—70	1970—75	Total	Investment Percentage
Common ..	1.85	1347.86	5147.60	10462.36	28367.04	45326.71	18.18%
Punjab ..	75.09	3182.40	15908.13	21473.71	66874.18	107513.51	43.11%
Sind ..	219.40	449.98	3524.67	8444.73	69226.26	81865.04	32.82%
NWFP ..	17.89	35.96	928.70	1271.26	6827.80	9081.61	3.64%
Baluchistan ..	6.11	44.95	1082.75	1662.64	2823.07	5619.52	2.25%
Total ..	320.34	5061.15	26591.85	43314.70	174118.35	249406.39	100%

Note.—For detailed statements, See Annexes X—XIV to Appendix X, Pages 153—157.

**FORMULAS FOR PROVINCIAL SHARES PROPOSED IN FOURTH
MEETING OF NATIONAL FINANCE COMMISSION HELD ON
17-4-1975**

I. Federal Finance Minister

1. 80% on population basis and 5% on equal basis
2. 80% on population basis and 5% at 3% to NWFP and 2% to Baluchistan

II. Secretary General (Finance and Economic Coordination) Mr. A.G.N. Kazi

85% on existing basis

III. Federal Finance Secretary

80% on existing basis and 5% to NWFP additionally

IV. Punjab

85% on population basis

V. Sind**(a) Mr. Pyarali Allana :**

50% on population basis
50% on source of collection

(b) Mr. P. K. Shahani :

60% on population basis
30% on source of collection
10% on need basis

VI. NWFP (Mr. G. M. Khan)

66-2/3% on population basis
33-1/3% on need basis

VII. Baluchistan**(a) Sardar Ghaus Bakhsh Raisani**

1. 40% on population basis
20% on area basis
20% to compensate for past neglect
20% on source of collection

1. Punjab	..	..	..	35.0%
Sind	..	..	..	22.5%
NWFP	..	..	..	17.0%
Baluchistan	..	..	..	5.5%

(b) Mian Saifullah Khan Piracha :

Out of divisible pool of 85% Baluchistan should get at least 6%

Appendix V

MINUTES OF FIFTH MEETING OF THE NATIONAL FINANCE COMMISSION HELD AT PESHAWAR ON SATURDAY, 10TH MAY, 1975, AT 10 A.M.

The following were present :—

Members and other Provincial Representatives

1. Rana Mohammad Hanif Khan, Federal Finance Minister, *Chairman*.
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Mr. Ghulam Mustafa Jatoi, Chief Minister, Sind.
4. Mr. Nasrullah Khan Khattak, Chief Minister, N.W.F.P.
5. Mir Ghulam Qadir Khan, Chief Minister, Baluchistan.
6. Sardar Ghais Bakhsh Raisani, Senior Minister, Baluchistan.
7. Mr. H. A. Majid (Punjab).
8. Mr. P. K. Shahani (Sind).
9. Mr. Umar Jan Khan (N.W.F.P.).
10. Mr. G. M. Khan (N.W.F.P.).

Officials

11. Mr. Abdur Raouf Shalkh, Finance Secretary, Government of Pakistan.
12. Mr. F. K. Bundial, Chief Secretary, N.W.F.P.
13. Mr. M. A. G. M. Akhtar, Additional Finance Secretary, Government of Pakistan.
14. Mr. Asif Rahim, Finance Secretary, Government of Punjab.
15. Mr. S. Nisar Ali Shah, Finance Secretary, Government of Sind.
16. Mr. Masood-ur-Rauf, Development Commissioner, N.W.F.P.
17. Mr. Mohammad Amjad, Acting Finance Secretary, Government of N.W.F.P.
18. Mr. S. R. Poonegar, Finance Secretary, Government of Baluchistan.
19. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint Secretary, Finance Division, Government of Pakistan.
20. Mr. M. M. Abdullah, Officer on Special Duty, Finance Division, Government of Pakistan.
21. Mr. Inamul Haq, Secretary, Apportionment Committee, Finance Division, Government of Pakistan.
22. Mr. Q. M. Alimullah, Officer on Special Duty, Finance Division, Government of Pakistan.
23. Mr. G. H. Abbasi, Additional Finance Secretary, Government of Sind.
24. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

Provincial shares in the Divisible Pool

2. The Chairman, after holding separate discussions with the Provincial Chief Ministers, informed the meeting that a decision on the question of allocation of Provincial shares in the divisible pool will be postponed till the next meeting of the National Finance Commission to be held on 17th May, 1975, at Islamabad. The meeting thereafter proceeded to discuss the other two items on the agenda, namely, —

- (a) the making of grants-in-aid by the Federal Government to the Provincial Governments ; and
- (b) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

Inclusion of Wealth Tax and Estate Duty in Divisible Pool

3. At the outset, Mr. H. A. Majid sought the permission of the Chairman to point out that the Commission had not noted the non-inclusion of estate duty on agricultural property and wealth tax on immovable property in the shareable taxes. He elaborated that, while it has already been pointed out in the very first meeting that excise duty on tea and tobacco had been left out of the shareable taxes specified in the terms of reference of the Commission, he had now discovered that two more taxes, namely Wealth Tax and Estate Duty, had also not been included although these were being shared under the existing arrangement. He felt that since the Commission had overlooked this fact while recommending Provincial allocation of 85% of the net proceeds of divisible Federal taxes, the allocation should be increased by 2% or so to make up for the left out taxes.

4. Dealing with the point raised by Mr. H. A. Majid, the Federal Finance Secretary stated that the fact of the non-inclusion of excise duty on tea and tobacco, estate duty on agricultural land and wealth tax on immovable property in the terms of reference of the National Finance Commission had been fully brought out in the summary that was submitted to the Prime Minister on the question of amendment of the terms of reference of the Commission. Complete information had thus been presented to the Prime Minister before he was pleased to decide that the terms of reference of the National Finance Commission should remain as originally specified. He added that the precise position, as it has emerged, is that export duty on cotton, taxes on income (including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund), and taxes on sales and purchases are the taxes which fall within the purview of the Commission. He further stated that the total amount that may accrue to the Federal Government on account of the non-inclusion of wealth tax and the estate duty in the list of shareable taxes was about Rs. 2 crores annually. Against this, the additional amount that will be received by the Provincial Governments under the arrangement proposed by the National Finance Commission will amount to about Rs 100 crores in the next year.

5. The Chairman observed that since the Prime Minister had already taken a decision on the summary which covered the point raised by the member and since a higher Provincial allocation of 90% demanded by the Punjab and Sind had been reduced to 85% as a compromise, it would not be proper to reopen the matter. The Chief Minister Punjab observed that, although he would have liked the excise duty on tea and tobacco and the two taxes under reference to be included in the pool of shareable taxes, it was not desirable to reopen the matter at this stage of Commission's deliberations, especially when the time left for the presentation of the budgets was so short. Chief Ministers of Sind, N.W.F.P. and Baluchistan agreed with him. Mr. H. A. Majid agreed not to press the point further.

Grants-in-aid to Provinces

6. The Federal Finance Secretary invited attention to Federal Finance Division's paper on the question of Federal grants-in-aid to the Provincial Governments that had been previously circulated to the members. He pointed out that the grants-in-aid which were at present being paid to the Provinces of N.W.F.P. and Baluchistan included the following :—

					(Rs in lakhs)
<i>N.W.F.P.</i>					
(a)	Statutory subvention	..	..	..	125
(b)	Grant for FATA expenditure	..	..	..	19
(c)	Grant for strategic roads	..	..	..	11
				Total	155
 <i>Baluchistan</i>					
(a)	Payment for administration of tribal areas on behalf of Federal Government	..	..	..	61
(b)	Grant for roads	..	..	..	31
				Total	92

The Federal Finance Secretary explained the philosophy of the subvention. He said that historically subvention was paid to a Province when it was found to be deficient in resource mobilization capacity. Broadly, the following two criteria were used in this connection :—

- (1) When the resources of a Province are inadequate to discharge the responsibilities assigned to it.
- (2) When the resources of a Federating unit are inelastic and there is no immediate scope for increasing resource mobilization.

7. He said that SIR JEREMY RAISMAN had mentioned both the criteria of inelasticity and inadequacy in his report. He pointed out that even in the developed countries there is followed the practice of giving grants-in-aid to the Federating units for specific purposes. The Federal Government in Pakistan has been giving grants-in-aid even for functions falling within the Provincial sphere, like the subsidy on wheat. He pointed out that when Baluchistan was not a full-fledged Province, it was given Federal funds through the Agent to the Governor-General who administered it on behalf of the Federal Government. He said that, now that Baluchistan has been made a Province, it should be treated like other Provinces and if its resources are growing this fact should be taken into account.

8. Senior Minister Baluchistan observed that subvention was given to the Provinces for performing those duties which the Federal Government asked them to take up. He said that his Province had been receiving Rs. 31 lakhs for maintaining roads of national importance. Now that the total mileage of such roads had increased the Province should be given at least Rs. 80 lakhs for this purpose. Finance Secretary Baluchistan said that since the Federal roads were not of much special use to his Province and since their cost of maintenance had gone up the amount now demanded by his Province should be paid to them.

9. The Chief Secretary, N.W.F.P. stated that the Malakand Division also had roads of same description and that the Provincial Government was spending Rs. 28 lakhs on them against Rs. 11 lakhs received as Federal assistance. Similarly, cost of agency functions in FAIA area had shot up but the Federal Government still continued to pay at a lower level. He stated that whatever was actually spent by the Province on behalf of the Federal Government should be re-imbursed.

10. The Federal Finance Secretary pointed out that, instead of asking for fixed amounts, the Provinces where such roads were situated should ask the Federal Government to foot the actual bill on account of the maintenance of these roads so that the changes in maintenance cost were taken care of. He pointed out that in case of roads of national importance and strategic roads of Punjab and Sind this procedure was already being followed. The Frontier Chief Secretary agreed with this approach.

11. Mr. H. A. Majid felt that grants-in-aid were paid by the Federal Government to support particular projects whereas subvention was meant for general purposes as it met the overall deficit of a certain Province. He felt that actual subvention could be decided by the Commission after shares of the Provinces in the divisible pool were first known. His tentative feeling was that N.W.F.P. seemed to be entitled to some subvention whereas Baluchistan was not, because of improvement in its position resulting from higher receipts of Federal excise duty and royalty on natural gas. Mr. G. M. Khan thought that because of inflation the fixed figure of Rs. 125 lakhs in respect of his Province had become unrealistic. The Federal Finance Secretary suggested that this figure be kept at this level for the present but made subject to adjustment consequent upon the flow of net profits from power generation to the Province. As regards the payments of Rs. 19 lakhs and Rs. 11 lakhs, these he said should be revised after discussion between the Federal and the Provincial Governments in the manner that had earlier been indicated by him.

12. Mr. P. K. Shahani suggested that the Provinces should be reimbursed for all the expenditure incurred on implementation of measures emanating out of the national policy. The Federal Finance Secretary stated that if the suggestion of Mr. Shahani was accepted then the Federal liabilities would become unlimited although in the formulation of national policies, which cast some financial burden on the Provinces and relate to their respective responsibilities, the Provinces duly participate. He added that it was a matter of record that the Provinces are always consulted when any decision on subjects of national importance is taken.

13. The Punjab Chief Minister recommended that the cost of any special tasks assigned to the Provinces on behalf of the Federal Government should be borne by the Federal Government and that reimbursement should be realistic bearing a relationship to the actual cost. It was unanimously agreed that in future when any service was assigned to the Provincial Governments on behalf of the Federal Government the cost thereof should be borne by the Federal Government on the basis of actual expenditure the scale of which should be mutually agreed upon.

Exercise of borrowing powers

14. The Federal Finance Secretary stated that the existing arrangement, under which borrowing was not governed by any Act, has worked satisfactorily and the Commission may consider its continuance without any change. This suggestion was supported by Mr. H. A. Majid and was unanimously accepted by the Commission.

15. The meeting concluded with a vote of thanks to the Chair.

MINUTES OF SIXTH MEETING OF THE NATIONAL FINANCE
COMMISSION HELD AT ISLAMABAD ON SATURDAY, 17TH
MAY, 1975, AT 10 A.M.

The following were present :—

Members and other Provincial Representatives

1. Rana Mohammad Hanif Khan, Federal Finance Minister, *Chairman*
2. Mr. Mohammad Haneef Ramay, Chief Minister, Punjab.
3. Mr. Ghulam Mustafa Jatoi, Chief Minister, Sind.
4. Mr. Nasrullah Khan Khattak, Chief Minister, N.W.F.P.
5. Mir Ghulam Qadir Khan, Chief Minister, Baluchistan.
6. Sardar Ghaus Bakhsh Raisani, Senior Minister, Baluchistan.
7. Mr. A. G. N. Kazi, Secretary General (Finance & Economic
Coordination), Government of Pakistan.
8. Mr. P. K. Shahani (Sind).

Officials

9. Mr. Abdur Raouf Shaikh, Finance Secretary,
Government of Pakistan.
10. Mr. M. A. G. M. Akhtar, Additional Finance Secretary,
Government of Pakistan.
11. Mr. Asif Rahim, Finance Secretary, Government of Punjab.
12. Mr. S. Nisar Ali Shah, Finance Secretary, Government of Sind.
13. Mr. Masood-ur-Rauf, Development Commissioner, NWFP.
14. Mr. Mohammad Amjad, Acting Finance Secretary,
Government of NWFP.
15. Mr. S. A. A. Shah, Secretary, National Finance Commission and Joint
Secretary, Finance Division, Government of Pakistan.
16. Mr. Inamul Haq, Secretary, Apportionment Committee, Finance
Division, Government of Pakistan.
17. Mr. Q. M. Alimullah, Officer on Special Duty, Finance Division,
Government of Pakistan.

18. Mr. G. H. Abbasi, Additional Finance Secretary, Government of Sind.
19. Mr. Tasneem Noorani, Deputy Secretary, Finance Department, Government of Punjab.
20. Mr. A. H. Qureshi, Assistant Secretary, National Finance Commission.

Confirmation of Minutes of Fifth Meeting

2. The Senior Minister Baluchistan raised the point whether the minutes included the Baluchistan viewpoint as expressed by him at the last meeting of the National Finance Commission, asking for enhanced Federal assistance for roads of national importance in his Province. He also wanted to know the decision in this respect. The Federal Finance Secretary invited his attention to paragraphs 8, 10 and 13 of the minutes which covered both these points.

3. The Punjab Chief Minister pointed out that while offering his suggestions he had specifically mentioned that the Federal Government should also reimburse the maintenance cost of works carried out on behalf of the Federal Government and that this had not been recorded. He stated that if any Federal works were handed over to a Province the Province would bear the maintenance cost only if it agreed to such a takeover. Clarifying the position, the Secretary General observed that if a particular subject was the constitutional responsibility of the Federal Government then both the original and maintenance costs were Federal liability. He said that if any road was declared a national highway it would fall in that category; whereas in other matters, like that of the strategic roads which generally also bestowed economic benefits on the area, the sharing of cost of construction and maintenance can be decided by mutual agreement between the concerned Provincial Government and the Federal Government.

4. Mr. P. K. Shahani requested that his viewpoint as recorded in paragraph 12 of the minutes should be amplified so that the first sentence of this paragraph reads as follows :—

“ Mr. P. K. Shahani suggested that the Provinces should be reimbursed for all the expenditure incurred on the implementation of measures adopted at the instance of the Federal Government ”.

5. Subject to the foregoing observations, the minutes of the fifth meeting were confirmed.

Confirmation of Minutes of Fourth Meeting

6. Mr. P. K. Shahani also pointed out that minutes of the fourth meeting which could not be confirmed in the last meeting may also be taken up for confirmation. He said that he had only one observation to make, the minutes were otherwise all right. He wanted his viewpoint to be recorded that the Federal Government should guarantee a minimum amount to the Provinces which should not be less than what was given to them during the current year. Subject to the clarification made by Mr. Shahani, the minutes of the fourth meeting were confirmed.

Provincial shares in the Divisible Pool

7. The Chairman recalled the discussions that he had with the Chief Ministers on the occasion of the last meeting of the Commission held at Peshawar on 10th May, 1975 when it was generally agreed between them that, of the 85% divisible pool provisionally proposed as being the Provincial share, 80% be divided among

the Provinces in the ratio of their population and the remaining 5% allocated exclusively to Baluchistan and NWFP in the ratio of 1 : 2. He stated that the most appropriate manner of giving expression to this arrangement would be to fix the size of the divisible pool allocable among the Provinces at 80% of the net shareable tax proceeds, and to require the Federal Government to give fixed subvention to NWFP and Baluchistan equivalent in amount roughly to 5% that was proposed in the last meeting to be reserved for these two Provinces.

8. The Chief Minister Punjab observed that the form proposed by the Chairman would mean that what was originally intended to be presented as a sacrifice on the part of the two major Provinces for the sake of the other two Provinces would now constitute direct aid by the Federal Government.

9. Explaining the merits of the Chairman's proposal, Mr. A. G. N. Kazi stated that population basis of allocation as between the Provinces would be in line with the approach already adopted for representation in democratic institutions. Any other formula would tend to distort the percentage share of the Provinces and might lead to unnecessary controversy. The proposed approach would be easily defensible because of having been based on a well-recognized principle. He suggested that the quantum of subvention should be fixed at Rs. 10 crores for NWFP and Rs. 5 crores for Baluchistan.

10. Mr. A. G. N. Kazi concluded that the proposal has the added merit of putting all the Provinces on equal footing in so far as revenue assignments were concerned. The subvention to be given to the two less developed Provinces would come from the Federal Government without effect on the share of the other Provinces. Mr Kazi added that it would be for the first time in the history of the Indo-Pakistan sub-continent that population would be made the sole basis for the division of Federal revenues between the Centre and the Provinces and this arrangement would be most democratic, equitable and least controversial.

11. The Development Commissioner NWFP desired that the subvention should not be a fixed amount as the needs of his Province were growing. The Federal Finance Secretary pointed out that the fixed subvention had built-in advantage for the two smaller provinces as it would insulate them against unfavourable fluctuations in the Federal revenues if the subvention was linked with the proceeds thereof. He further observed that the grant of fixed subvention did not rule out altogether the giving of grant-in-aid by the Federal Government if genuine deficit developed in a certain year.

12. The Chief Minister Sind said that though he agreed to the proposed basis of allocation it should be stipulated by the Commission that this arrangement will hold good only for five years and that thereafter the size of the divisible pool would be 85%. The Chairman observed that the matter had to be left for consideration by the next Finance Commission which would be appointed by the President in pursuance of the constitutional provision before the expiry of the period of five years.

Decision

13. The Commission unanimously decided to accept the proposal of the Chairman and to make the following recommendations in this behalf :—

(a) The size of the divisible pool to be allocated to the Provinces should be fixed at 80% of the net proceeds of shareable Federal taxes, namely,—

(i) export duties on cotton ;

(ii) taxes on sales and purchases ; and

(iii) taxes on income, including corporation tax, but not including taxes on remuneration paid out of the Federal Consolidated Fund.

(b) The allocation of the divisible pool between the Provinces should be in the ratio of their respective population, namely,—

Punjab	60.25%
Sind	22.50%
NWFP	13.39%
Baluchistan	3.86%
Total ..	<u>100%</u>

(c) In addition to their share as determined on the basis aforesaid, the Provinces of North-West Frontier and Baluchistan should be given fixed annual subvention as follows :—

North-West Frontier Province	Rs. ten crores
Baluchistan	Rs. five crores

14. The Punjab Chief Minister congratulated the Chairman on resolving a difficult issue which he said has far reaching implications for national cohesion and integration.

15. The Chairman profoundly thanked the members for their cooperation throughout the deliberations of the National Finance Commission and for their unanimous decision on Federal revenue assignments to the Provinces. The meeting concluded with a vote of thanks to the Chair.

**WORKING PAPER FOR THE FIRST MEETING OF THE NATIONAL
FINANCE COMMISSION**

The National Finance Commission (NFC) has been constituted in pursuance of the provision in clause (1) of Article 160 (excerpt at Annex I)* of the Constitution and, according to Finance Division Notification No. SRO 158(I)/74, dated 9-2-1974 (Annex II)†, it came into being with effect from 9th February, 1974.

2. The terms of reference of the National Finance Commission are laid down in clause (2) of Article 160 (Annex I)* of the Constitution, which says that it shall be duty of the National Finance Commission to make recommendations to the President as to—

- (a) the distribution between the Federation and the Provinces of the net proceeds of :
 - (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund ;
 - (ii) taxes on sales and purchases ;
 - (iii) export duties on cotton, and such other export duties as may be specified by the President ;
 - (iv) such duties of excise as may be specified by the President ;
 - (v) such other taxes as may be specified by the President ;
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments ;
- (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution ; and
- (d) any other matter relating to finance referred to the Commission by the President.

3. In constituting the National Finance Commission, the President has not exercised the discretion vested in him as at (d) above nor has he specified any other excise duties or taxes, under items (a) (iii), (a) (iv) and (a) (v) of the preceding paragraph, for consideration by the National Finance Commission. This, in effect, means that the National Finance Commission is required to make recommendations on the following questions :—

1. The distribution between the Federation and the Provinces of the net proceeds of—
 - (a) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund ;
 - (b) taxes on sales and purchases ; and
 - (c) export duties on cotton.
2. The making of grants-in-aid by the Federal Government to the Provincial Governments.
3. The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

*See pages 57—58.

†See page 59.

4. National Finance Commission Secretariat has already circulated, under its letter No. F. 2(3)-NFC/74 dated 26-2-1974 (Annex III)*, to members of NFC copies of the following documents as background material :—

1. Indian Financial Enquiry Report by Sir Otto Niemeyer (April, 1936).
2. Allocation of Revenues between the Central and Provincial Governments in Pakistan, including report of Sir Jeremy Raisman (December, 1951).
3. Report of the Pakistan National Finance Commission, 1964, under Article 144 (4) of the 1962 Constitution.
4. Report of the Pakistan National Finance Commission, 1964, under Article 144 (6) of the 1962 Constitution.
5. Working papers, minutes and report of the Pakistan National Finance Committee, 1970.
6. Excerpt of press report in the "Economic Times", Bombay, on recommendations of the Sixth Indian Finance Commission.

5. In anticipation of the requirements of NFC, the Secretariat also requested the Provincial Governments and the Federal Finance Division (Annex IV)† for the following data :—

1. Audit actuals (departmental accounts where audit actuals are not available) for the years 1970-71, 1971-72, 1972-73, 1973-74 (Revised) and 1974-75 (Budget) in respect of—
 - (a) Revenue receipts ;
 - (b) Non-development revenue expenditure ; and
 - (c) Capital receipts alongwith breakdown of receipts and non-development disbursements.
2. Projections of anticipated revenue receipts, non-development revenue expenditure, and net capital receipts for the next five years beginning 1975-76.

After repeated telegraphic and telephonic reminders, the data has so far been received from the Punjab, NWFP and Baluchistan Governments. Sind Government has yet to supply it. The information will be placed before NFC as soon as it is complete.

6. The following questions are submitted for consideration in the first meeting of the National Finance Commission :—

- (i) NFC may outline the programme of work and time schedule that it wishes to follow for completion of its assignment.
- (ii) NFC may indicate the form and substance of the Memoranda that it would like to have from the Provincial and Federal Governments for consideration of the specific issues before it (cf. paragraph 3 above).
- (iii) Whether it is desired to call for the views of individuals and non-public sector agencies on the issues before NFC.
- (iv) Whether NFC would like to set up working groups/committees for dealing with specific issues.
- (v) Any other specific requirements of NFC.

*See page 60.

†See pages 61-62.

**EXCERPT FROM THE CONSTITUTION OF THE ISLAMIC REPUBLIC
OF PAKISTAN**

PART VI.—FINANCE, PROPERTY, CONTRACTS AND SUITS

CHAPTER 1.—FINANCE

Distribution of Revenues between the Federation and the Provinces

160. *National Finance Commission.*—(1) Within six months of the commencing day* and thereafter at intervals not exceeding five years, the President shall constitute a National Finance Commission consisting of the Minister of Finance of the Federal Government, the Ministers of Finance of the Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the Provinces.

(2) It shall be the duty of the National Finance Commission to make recommendations to the President as to—

- (a) the distribution between the Federation and the Provinces of the net proceeds of the taxes mentioned in clause (3) ;
- (b) the making of grants-in-aid by the Federal Government to the Provincial Governments ;
- (c) the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution ; and
- (d) any other matter relating to finance referred to the Commission by the President.

(3) The taxes referred to in paragraph (a) of clause (2) are the following taxes raised under the authority of Parliament, namely :—

- (i) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund ;
- (ii) taxes on sales and purchases ;
- (iii) export duties on cotton, and such other export duties as may be specified by the President ;
- (iv) such duties of excise as may be specified by the President ; and
- (v) such other taxes as may be specified by the President.

(4) As soon as may be after receiving the recommendations of the National Finance Commission, the President shall, by Order, specify, in accordance with the recommendations of the Commission under paragraph (a) of clause (2), the share of the net proceeds of the taxes mentioned in clause (3) which is to be allocated to each Province, and that share shall be paid to the Government of the Province concerned, and, notwithstanding the provision of Article 78, shall not form part of the Federal Consolidated Fund.

* The 14th of August, 1973.

(5) The recommendations of the National Finance Commission, together with an explanatory memorandum as to the action taken thereon, shall be laid before both Houses and the Provincial Assemblies.

(6) At any time before an Order under clause (4) is made, the President may, by Order, make such amendments or modifications in the law relating to the distribution of revenues between the Federal Government and the Provincial Governments as he may deem necessary or expedient.

(7) The President may, by Order, make grants in aid of the revenues of the Provinces in need of assistance and such grants shall be charged upon the Federal Consolidated Fund.

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

Islamabad, the 9th February, 1974

S. R. O. 158(I)/74.—In pursuance of clause (1) of Article 160 of the Constitution of the Islamic Republic of Pakistan, the President is pleased to constitute the National Finance Commission consisting of the following members, namely :—

1. Minister for Finance of the Federal Government. *Chairman.*
2. Minister for Finance, Government of the Punjab. *Member.*
3. Minister for Finance, Government of Sind. *Member.*
4. Minister for Finance, Government of NWFP. *Member.*
5. Minister for Finance, Government of Baluchistan *Member.*
6. Mr. A.G.N. Kazi *Member.*
7. Mr. H.A. Majid *Member.*
8. Mr. P.K. Shahani *Member.*
9. Mr. Umar Jan Khan *Member.*
10. Mian Saifullah Khan Piracha *Member.*

[(F. 8(2)-B(R)I/73)].

MOHAMMAD ISHAQUE,
Deputy Secretary.

NATIONAL FINANCE COMMISSION SECRETARIAT

(Block "Q" Room No. 107, Federal Secretariat)

Islamabad, the 26th February, 1974

1. The Minister for Finance, Planning and Development, Government of Pakistan, Islamabad.
 2. The Minister for Finance, Government of the Punjab, Lahore.
 3. The Minister for Finance, Government of Sind, Karachi.
 4. The Minister for Finance, Government of NWFP, Peshawar.
 5. The Minister for Finance, Government of Baluchistan, Quetta.
 6. Mian Saifullah Khan Piracha, Minister, Government of Baluchistan, Quetta.
 7. Mr. A.G.N. Kazi, Secretary General (Finance & Economic Coordination), Finance Division, Islamabad.
 8. Mr. H.A. Majid, Room No. 106 "S" Block, Pak. Secretariat, Islamabad.
 9. Mr. P.K. Shahani, 48-Clifton, Karachi.
- ¶10. Mr. Umar Jan Khan, Advocate, Inside Sokari Gate, Bannu City.

DEAR SIR

With reference to Government of Pakistan, Finance Division, Notification No. S.R.O. 158 (I)/74*, dated the 9th February 1974, regarding your appointment as Chairman/Member of the National Finance Commission, I enclose for your perusal the following background material:—

1. Indian Financial Enquiry Report by Sir Otto Niemeyer (April, 1936).
2. Allocation of Revenues between the Central and Provincial Governments in Pakistan, including report of Sir Jeremy Raisman (December, 1951).
3. Report of the Pakistan National Finance Commission, 1964, under Article 144(4) of the 1962 Constitution.
4. Report of the Pakistan National Finance Commission, 1964, under Article 144(6) of the 1962 Constitution.
5. Working papers, minutes and report of the Pakistan National Finance Committee, 1970.
6. Copy of a press report ** published in the Economic Times, Bombay, regarding recommendations of the Sixth Indian Finance Commission.

[No. F. 2(3)-NFC/74.]

Yours faithfully,

S. A. A. SHAH.

Secretary, National Finance Commission.

*Annex II at page 59.

**Not printed.

No. F. 2(3)-NFC/74-149

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

National Finance Commission Secretariat

Islamabad, the 21st June, 1974

To

Dr. Tariq Siddiqui, Secretary to the Government of Punjab, Finance Department, LAHORE.

Mr. R.A. Akhund, Secretary to the Government of Sind, Finance Department, KARACHI.

Mr. Arshad Farid, Secretary to the Government of NWFP, Finance Department PESHAWAR.

Mr. S.R. Poonegar, Secretary to the Government of Baluchistan, Finance Department, QUETTA.

SUBJECT :—*Data for National Finance Commission*

SIR,

I am directed to invite a reference to the Government of Pakistan, Finance Division, Notification S.R.O. 158(I)/74, dated the 9th February, 1974 (copy enclosed*) setting up the National Finance Commission, under Article 160 of the Constitution, with the following terms of reference :—

- (1) The distribution between the Federation and the Provinces of the net proceeds of :
 - (a) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund ;
 - (b) taxes on sales and purchases ; and
 - (c) export duties on cotton.
- (2) The making of grants-in-aid by the Federal Government to the Provincial Governments.
- (3) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

2. In this context I am to request that the Provincial Governments may kindly furnish to the Secretariat of the National Finance Commission the following data :—

- (1) Audit actuals (departmental accounts where audit actuals are not available) for the years 1970-71, 1971-72, 1972-73, 1973-74 (Revised) and 1974-75 (Budget) of :—
 - (a) Revenue receipts ;
 - (b) Non-development revenue expenditure ;

- (c) Capital receipts (net) alongwith breakdown of receipts and non-development disbursements.
- (2) Projections of anticipated revenue receipts, non-development revenue expenditure and net capital receipts for the next five years beginning 1975-76.
3. It is also requested that 2 copies each of the published Finance Accounts of the Provincial Governments for the years 1970-71 to 1972-73 may also kindly be supplied.
4. As the first meeting of the Commission is likely to be held shortly the information asked for above may kindly be supplied to this Secretariat by the 15th July, 1974.

Your obedient servant

S. A. A. SHAH,
Secretary NFC.

Copy, for similar action in respect of the Federal Government, is forwarded to Budget Wing (Mr. Mohammad Ishaque, Deputy Secretary), Finance Division, Islamabad.

Copy also forwarded to :—

1. Mian Mumtaz Abdullah, Deputy Secretary (Budget), Budget Wing, Finance Division, Islamabad, for data regarding non-development expenditure of the Federal Government.
2. Qazi M. Alimullah, Deputy Secretary (Provincial Finance), Budget Wing), Finance Division, Islamabad, for pursuing the matter with the Provincial Governments and also for data regarding grants-in-aid to the Provinces.

S. A. A. SHAH,
Secretary NFC.

WORKING PAPER FOR SECOND MEETING OF NATIONAL FINANCE
COMMISSION

The Commission in its first meeting held on 30th January 1975 discussed, among other things, the question of widening the scope of its terms of reference so as to include—

- (a) all export duties ;
- (b) all Federal excise duties, and
- (c) all State Trading profits (and losses) related to exports.

The consensus in the meeting was that the Federal Finance Division should initiate the necessary proposal in this behalf and move the President to amend the terms of reference of the Commission accordingly. The Finance Division has since initiated necessary action in the matter and the decision will be intimated to the Commission.

2. In the meantime, the Commission has to proceed with its task on the basis of existing terms of reference. According to these, the Commission is required to make recommendations on the following questions :—

- (1) The distribution between the Federation and the Provinces of the net proceeds of—
 - (a) taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund ;
 - (b) taxes on sales and purchases ; and
 - (c) export duties on cotton.
- (2) The making of grants-in-aid by the Federal Government to the Provincial Governments.
- (3) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

3. At its last meeting, the National Finance Commission did not indicate what specific material it wanted for its purposes. Instead, it was decided that the Provincial representatives would give a list of items/subjects on which they would like the Secretariat to collect information. So far only the NWFP and Sind Governments have indicated their requirements which are as follows :—

NWFP Government

- (i) Quantified locational investment of Federal Agencies and Government in the Plan periods so far.
- (ii) Breakup of the income from divisible taxes yearwise.

Sind Government

- (iii) Information is desired to be collected from the Provinces in respect of Economic Indicators as per Annex I (page 66).

Central Board of Revenue has furnished the information on item (ii) above which is attached as Annex II (page 67).

Regarding item (i), National Finance Commission Secretariat has addressed the administrative Ministries/Divisions of the Federal Government and the information will be placed before the Commission as soon as it is complete.

No other Province/Member of the Commission has yet indicated the items/subjects on which they would like data to be collected.

4. Pending indication of specific requirements, the Secretariat has compiled the undermentioned data for the perusal of the members.

- (a) Gross revenue receipts of the Federal Government for the five years 1970-71 to 1974-75 and non-development revenue expenditure for corresponding period. (Annexes III and IV—pages 68-69.)
- (b) Revenue receipts (excluding Federal tax assignments) and non-development revenue expenditure of the Provincial Governments for the years 1970-71 to 1974-75. (Annexes V and VI—pages 70-77.)
- (c) Projection of revenue receipts and non-development expenditure of the Federal Government for the next five years 1975-76 to 1979-80. (Annexes VII and VIII—pages 78-81.)
- (d) Projection of revenue receipts and non-development expenditure of the Provincial Governments for the period 1975-76 to 1979-80. (Annexes IX and X—pages 82-91.)
- (e) Overall revenue resources of the Federal and Provincial Governments for the next five years 1975-76 to 1979-80. (Annex XI—page 92.)
- (f) Federal revenue assignments to the Provincial Governments during the period 1970-71 to 1974-75 (Annex XII—pages 93-97.)
- (g) Projection of Federal revenue assignments to the Provincial Governments for the period 1975-76 to 1979-80. (Not printed.)

5. According to the estimates furnished by the Provincial Governments, the Provincial budgets for the year 1975-76 are projected to show an overall revenue deficit of Rs 324.83 crores. Federal revenue assignments to the Provinces for that year are estimated to be Rs 124.90 crores which will correspondingly reduce the deficit. Provincewise breakup of revenue deficit and revenue assignment is as follows :—

					(Rs in crores)	
					Revenue deficit	Federal revenue assignment
Punjab	..	..	..	..	164.00	70.57
Sind	..	..	..	..	89.47	29.35
N.W.F.P.	..	..	..	..	44.26	19.36
Baluchistan	..	..	..	..	27.10	5.62
Total					324.83	124.90

The comparative revenue account position of the Federal Government for 1975-76 shows a deficit of over Rs 500 crores after deducting revenue assignments to the Provinces.

The foregoing estimates present a difficult and complex situation which needs a careful and thorough consideration by the Commission.

6. In regard to item (2) of the Commission's terms of reference, a paper prepared by the Federal Finance Division will be circulated in the meeting. (Annex XIII—pages 98-102).

7. The Commission's third term of reference relates to the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution. In this context the following provision in Articles 166 and 167 of the Constitution is particularly relevant :—

166. *Borrowing by Federal Government.*—The executive authority of the Federation extends to borrowing upon the security of the Federal Consolidated Fund within such limits, if any, as may from time to time be fixed by Act of Parliament, and to the giving of guarantees within such limits, if any, as may be so fixed.

167. *Borrowing by Provincial Government.*—(1) Subject to the provisions of this Article, the executive authority of a Province extends to borrowing upon the security of the Provincial Consolidated Fund within such limits, if any, as may from time to time be fixed by Act of the Provincial Assembly, and to the giving of guarantees within such limits, if any, as may be so fixed.

(2) The Federal Government may, subject to such conditions, if any, as it may think fit to impose, make loans to, or, so long as any limits fixed under Article 166 are not exceeded, give guarantees in respect of loans raised by, any province, and any sums required for the purpose of making loans to a Province shall be charged upon the Federal Consolidated Fund.

(3) A Province may not, without the consent of the Federal Government, raise any loan if there is still outstanding any part of a loan made to the Province by the Federal Government, or in respect of which guarantee has been given by the Federal Government; and consent under this clause may be granted subject to such conditions, if any, as the Federal Government may think fit to impose.

8. Finance Division's paper on 'Borrowing by the Federal Government' is enclosed (Annex XIV—pages 103-106).

Annex I to Appendix VIII

(Proforma suggested by
Government of Sind)

ECONOMIC INDICATORS

Punjab Sind NWFP Baluchistan National

1. All-weather road mileage :
 - (a) per thousand population ..
 - (b) per 100 square miles area ..
2. Railway mileage :
 - (a) per thousand population ..
 - (b) per 100 Square miles area ..
3. Number of telephones per thousand population
4. Number of bank branches per thousand population
5. Consumption of electricity *per capita*
6. Percentage of literacy
7. Number of students enrolled in :
 - (a) Primary
 - (b) Secondary
 - (c) higher institutions per thousand population including professional, vocational and technical)
8. Number of hospital beds per thousand population (including Rural Health Centres)
9. Access to piped water % of population :
 - (a) Urban
 - (b) Rural
10. *Per capita* income :
 - (a) Provincial
 - (b) Districtwise]

INCOME FROM DIVISIBLE TAXES FOR THE FINANCIAL YEARS 1960-61 TO 1974-75

(Rs in crores)

Financial year	Divisible Taxes						Total
	Customs (export duties on jute and cotton)	Federal Excise Duties (tea, tobacco and betelnuts)	Taxes on Income	Sales Tax	Wealth Tax	Estate Duty	
1960-61	41.76	8.26	31.68	36.24	..	0.28	118.22
1961-62	50.39	8.92	37.97	37.77	..	0.23	135.28
1962-63	54.28	10.36	42.73	42.28	..	0.24	149.89
1963-64	48.21	12.13	46.34	51.20	0.92	0.21	158.01
1964-65	71.01	14.65	54.05	58.83	1.00	0.19	199.73
1965-66	70.46	15.69	54.76	61.54	0.79	0.37	203.61
1966-67	81.10	20.10	60.38	68.58	0.86	0.33	231.35
1967-68	78.04	21.26	62.70	40.13	0.98	0.50	203.61
1968-69	114.89	22.70	72.32	48.37	1.18	0.47	259.93
1969-70	123.70	29.81	93.77	51.37	1.45	0.43	300.53
1970-71	140.51	42.36	91.12	59.43	1.56	0.56	335.54
1971-72	131.22	44.97	121.58	50.42	2.09	0.54	350.82
1972-73	264.12	55.69	112.48	46.90	3.09	0.51	482.79
1973-74	428.03	72.25	118.13	74.97	4.45	0.61	698.44
1974-75 (revised)	460.00	109.00	120.00	105.00	4.75	0.50	799.25

(Source.—Central Board of Revenue, Government of Pakistan.)

GROSS REVENUE RECEIPTS OF FEDERAL GOVERNMENT

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
TAX RECEIPTS	622.67	549.36	676.66	882.95	1011.26
Principal Heads	605.83	518.00	653.20	852.86	960.60
Customs	173.69	131.22	264.78	390.70	430.72
(Import Duties)	(88.97)	(70.61)	(139.53)	(219.90)	(297.20)
(Export Duties)	(84.72)	(61.61)	(124.85)	(170.80)	(133.52)
Excise Duties	254.78	211.91	226.51	276.57	323.23
Taxes on Income	99.63	123.64	112.07	115.00	110.00
Sales Tax	74.96	48.15	46.06	65.00	90.00
Other Taxes	2.77	3.08	4.18	5.34	5.60
Workers' Welfare Tax .. .. .	..	..	..	0.25	1.00
Surcharges	16.84	31.36	23.46	30.09	50.66
Natural Gas	1.74	1.93	1.61	3.27	14.24
Cement	1.64	1.38	1.58	1.76	1.84
Petroleum	12.00	26.46	16.86	2.29	0.46
Price Equalization	1.46	1.59	1.85	2.00	1.63
Fertilizer	—	—	1.56	20.77	32.49
NON-TAX RECEIPTS	160.58	143.27	163.99	269.56	365.90
Interest Receipts	108.51	69.89	70.57	66.51	121.20
Interest Receipts	97.66	62.90	63.51	53.12	81.15
Return on Investments	10.85	6.99	7.06	13.39	20.05
Return on Nationalized Banks and other Institutions	—	—	—	—	20.00
Other Receipts	52.07	73.38	93.42	203.05	244.70
Opium	—	—	0.16	0.13	0.21
Railways	—	—	0.26	—	—
Post Office Department	-1.83	0.48	-0.48	-1.04	-4.10
Telegraph and Telephone Department	8.46	15.50	16.29	14.75	12.84
Civil Administration	7.44	6.53	5.04	18.42	7.54
Currency and Mint	9.59	10.28	10.81	15.94	24.02
Civil Works	1.86	1.36	1.04	1.45	1.51
Defence Receipts	15.93	13.88	22.24	20.61	32.86
Miscellaneous Receipts	10.50	8.60	19.77	21.54	31.24
Extraordinary Receipts	0.07	16.75	18.29	111.25	138.58
Total	783.25	692.63	840.65	1152.51	1377.16
Payment to A. K. Government	—	—	—	2.50	2.50
Total	783.25*	692.63*	840.65	1150.01	1374.66

*Includes East Pakistan.

(Source.—Budget-in-Brief of the Federal Government)

NON-DEVELOPMENT EXPENDITURE MET FROM REVENUE OF FEDERAL GOVERNMENT

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Revenue Collecting Deptts.	8.98	4.87	5.02	6.45	8.48
Civil Administration	55.21	45.23	66.33	82.41	140.31
General Administration	19.17	15.30	24.81	23.84	32.24
Audit	4.62	3.77	3.80	4.60	5.69
Police	7.34	3.05	5.62	12.82	24.19
Frontier Regions	13.84	14.08	17.73	26.20	54.93
Other Administrative Departments	5.34	3.17	4.15	2.69	3.25
Foreign Affairs	4.90	5.86	10.22	12.26	20.02
Social Services and Beneficent Depart- ments	25.44	22.30	15.61	39.30	34.19
Scientific Departments	7.11	5.69	6.49	13.58	13.62
Education	2.11	1.16	1.94	3.98	5.88
Medical and Public Health	2.67	2.97	3.45	4.90	7.33
Agriculture, Industries and Fis- heries	2.14	1.41	1.53	12.79	2.01
Aviation	10.58	10.19	2.20	3.42	4.56
Investment Promotion and Sup- plies Department	0.83	0.88	—	0.63	0.78
Currency and Mint	1.24	1.22	1.34	2.40	3.25
Pensions, Stationery and Printing ..	3.21	4.93	4.38	6.07	5.92
Civil Works	6.90	6.65	8.78	5.20	7.07
Grants to Provinces	24.47	2.04	5.02	25.37	62.62
Other Expenditure	37.18	22.57	32.05	16.93	25.11
Debt Services	92.35	148.02	129.86	212.40	295.03
Defence Services	320.15	372.55	443.96	474.15	613.87
Subsidies .. ..	..	..	..	218.54	368.26
Imported wheat .. ..	..	..	..	158.41	218.17
Indigenous Wheat .. ..	..	..	..	9.27	13.46
PIA Corporation .. ..	..	..	..	1.88	12.36
Edible Oil .. ..	..	..	..	26.91	66.50
Refineries .. ..	..	..	..	17.47	40.00
Cotton Export Corporation .. ..	..	..	..	..	27.14
Other .. ..	..	..	..	4.60	6.63
Total	575.13*	630.38*	712.35	1089.22	1564.10

*Includes East Pakistan

(Source.—Budget-in-Brief of the Federal Government)

Annex V(a) to Appendix VIII

REVENUE RECEIPTS OF THE GOVERNMENT OF PUNJAB

	(Rs in crores)				
	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Principal Heads of Revenue :					
Share in Federal Taxes	50.70	48.67	49.36	49.84	67.59
Customs	—	1.22	9.88	1.98	9.76
Federal Excise Duties	11.64	9.54	10.18	13.40	19.06
Taxes on Income	20.12	22.75	20.13	20.92	19.96
Wealth Tax and Estate Duty	0.27	0.27	0.37	0.93	1.03
Sales Tax	18.67	14.89	8.80	12.58	17.78
Provincial Receipts	33.62	41.25	41.96	53.49	57.40
Land Revenue	10.03	10.85	11.69	11.59	12.11
Stamps	6.90	4.69	7.35	8.50	8.90
Other Heads	16.69	25.71	22.92	33.40	36.39
Other Heads of Revenue :	26.74	27.82	57.07	96.71	64.40
Irrigation, Navigation, Embankment and Drainage Works for Which Capital Accounts are Kept	6.82	6.42	23.46	24.28	25.53
Irrigation etc. Works for which Capital Accounts are not kept	0.11	0.12	0.13	0.13	0.14
Debt Services	1.14	0.96	3.47	4.73	2.90
Civil Administration	1.28	1.36	2.06	2.13	2.55
Beneficent Departments	6.65	8.03	15.95	16.16	4.77
Civil Works	1.04	1.42	1.82	1.81	9.07
Miscellaneous	2.72	4.87	4.72	13.33	10.04
Grants-in-Aid from Federal Government	2.26	0.88	0.75	25.71	3.41
Extraordinary Items	4.72	3.76	4.71	8.43	5.99
Total—Provincial Receipts (excluding share in Federal Taxes)	60.36	69.07	99.03	150.20	121.80

(Source.—Budget-in-Brief of the Federal Government)

REVENUE RECEIPTS OF THE GOVERNMENT OF SIND

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Principal Heads of Revenue :					
Share in Federal Taxes	21.09	20.24	20.53	20.73	28.11
Customs	—	0.51	4.11	0.82	4.06
Federal Excise Duties	4.84	3.97	4.23	5.59	7.93
Taxes on Income	8.37	9.46	8.37	8.70	8.30
Wealth Tax and Estate Duty ..	0.12	0.11	0.16	0.39	0.43
Sales Tax	7.76	6.19	3.66	5.23	7.39
Provincial Receipts	19.87	21.92	26.20	30.43	32.16
Land Revenue	2.53	3.49	4.28	5.00	5.00
Stamps	3.77	3.61	4.40	4.00	4.12
Other Heads	13.57	14.82	17.52	21.43	23.04
Other Heads of Revenue.. .. .	10.68	11.99	18.89	37.62	24.44
Irrigation, Navigation, Embankment and Drainage Works for Which Capital Accounts are Kept	2.05	2.45	1.53	7.00	7.16
Irrigation etc. Works for which Capital Accounts are not kept	0.01	0.07	—	0.05	0.05
Debt Services	0.75	0.96	1.87	2.75	2.85
Civil Administration	0.87	0.93	2.64	2.23	2.37
Beneficent Departments	2.04	2.34	4.62	4.70	2.03
Civil Works	0.87	0.60	0.92	0.56	0.69
Miscellaneous	0.92	2.13	1.30	2.99	2.58
Grants-in-Aid from Federal Government	0.86	0.45	2.77	12.84	3.96
Extraordinary Items	2.31	2.06	3.44	4.50	2.75
Total—Revenue Receipts (excluding share in divisible taxes)	30.55	33.91	45.09	68.05	56.60

(Source.—Budget-in-Brief of the Federal Government).

REVENUE RECEIPTS OF THE GOVERNMENT OF N.W.F.P.

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Principal Heads of Revenue :					
Share in Federal Taxes	13.91	13.35	13.54	13.67	18.54
Customs	—	0.33	2.70	0.34	2.58
Federal Excise Duties	3.19	2.62	2.79	3.68	5.23
Taxes on Income	5.52	6.24	5.52	5.74	5.47
Wealth Tax and Estate Duty ..	0.08	0.07	0.11	0.26	0.28
Sales Tax	5.12	4.09	2.42	3.45	4.88
Provincial Receipts	3.92	6.13	4.61	5.66	5.50
Land Revenue	0.48	0.53	0.51	0.60	0.70
Stamps	0.72	1.63	1.99	0.68	0.70
Other Heads	2.72	3.97	2.11	4.38	4.10
Other Heads of Revenue	6.80	8.34	10.55	12.83	18.90
Irrigation, Navigation, Embankment and Drainage Works for Which Capital Accounts are kept	0.06	-0.16	0.11	0.13	0.35
Irrigation etc. Works for which Capital Accounts are not kept	0.02	0.33	0.03	0.02	0.03
Debt Services	0.12	0.20	0.15	0.24	0.40
Civil Administration	1.42	2.36	2.35	2.59	1.40
Beneficent Departments	1.02	0.97	3.63	3.53	4.42
Civil Works	0.19	0.24	0.38	0.29	0.30
Miscellaneous	0.48	1.57	0.40	1.35	1.79
Grants-in-Aid from Federal Government	3.44	2.81	3.49	4.68	10.30
Extraordinary Items	0.05	0.02	0.01	—	—
Total—Provincial Receipts (excluding share in Federal Taxes)	10.72	14.47	15.16	18.49	24.40

(Source.—Budget-in-Brief of the Federal Government).

REVENUE RECEIPTS OF THE GOVERNMENT OF BALUCHISTAN

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Principal Heads of Revenue :					
Share in Federal Taxes	4.04	3.88	3.93	3.97	5.39
Customs	—	0.10	0.79	0.16	0.78
Federal Excise Duties	0.92	0.76	0.81	1.07	1.52
Taxes on Income	1.60	1.81	1.60	1.66	1.59
Wealth Tax and Estate Duty	0.03	0.03	0.03	0.08	0.09
Sales Tax	1.49	1.18	0.70	1.00	1.41
Provincial Receipts	0.82	1.01	1.00	1.00	1.10
Land Revenue	0.37	0.33	0.34	0.38	0.40
Stamps	0.10	0.09	0.10	0.10	0.10
Other Heads	0.33	0.59	0.56	0.52	0.60
Other Heads of Revenue	5.39	2.22	5.05	24.40	29.40
Irrigation, Navigation, Embankment and Drainage Works for Which Capital Accounts are Kept	-0.18	0.02	0.29	0.31	0.31
Irrigation Works for which Capital Accounts are not kept	0.01	—	—	—	—
Debt Services	0.04	0.03	0.05	0.05	0.10
Civil Administration	0.14	0.24	0.22	0.22	0.35
Beneficent Departments	0.29	0.38	0.56	0.76	1.25
Civil Works	0.10	0.10	0.09	0.11	0.11
Miscellaneous	0.32	0.49	0.57	0.58	0.62
Grants-in-Aid from Federal Government	4.64	0.96	2.94	22.37	26.66
Extraordinary Items	0.03	—	0.33	—	—
Total—Revenue Receipts (excluding share in Federal Taxes)	6.21	3.23	6.05	25.40	30.50

(Source.—Budget-in-Brief of the Federal Government).

Annex VI(a) to Appendix VIII

EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF PUNJAB

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Administrative Departments ..	23.40	18.52	40.81	37.65	53.96
Direct Demands on Revenue ..	5.17	8.44	3.35	3.69	4.94
Irrigation (Excluding Interest), ..	10.00	1.12	19.51	23.81	30.42
Debt Services (Inclusive of Interest on Capital Outlay of Commercial Departments)	8.23	8.96	17.95	10.15	18.60
Civil Administration	15.62	15.76	18.91	23.68	29.31
General Administration ..	4.70	5.22	5.57	6.38	7.85
Police,	7.75	6.74	9.51	12.14	15.21
Other Heads	3.17	3.80	3.83	5.16	6.25
Beneficent Departments, Civil Works etc. on Revenue Account ..	41.42	44.52	67.67	87.93	117.19
Education	22.16	27.42	32.52	47.28	65.71
Health Services	7.60	5.62	7.46	8.38	12.19
Agriculture	3.43	3.74	6.64	6.82	8.98
Veterinary,	1.04	1.05	1.12	1.67	2.47
Industries	0.75	0.87	1.18	1.29	1.59
Civil Works and Miscellaneous Public Improvements,	5.89	4.87	8.47	9.79	12.27
Other Heads	0.55	0.95	10.28	12.70	13.98
Miscellaneous	9.27	13.79	12.01	18.36	18.28
Total—Expenditure met from Revenue	89.71	92.59	139.40	167.62	218.74

(Source.—Budget-in-Brief of the Federal Government).

Annex VI(h) to Appendix VIII

EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF SIND

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Administrative Departments ..	10.61	9.41	15.50	15.68	13.79
Direct Demands on Revenue ..	2.06	2.19	2.50	2.06	2.31
Irrigation (Excluding Interest) ..	1.94	1.48	1.81	8.55	8.67
Debt Services (inclusive of Interest on Capital Outlay of Commercial Departments)	6.61	5.74	11.19	5.07	2.51
Civil Administration	7.82	8.75	11.67	14.97	17.49
General Administration ..	1.90	2.24	2.86	3.45	3.78
Police	4.34	4.73	6.86	8.94	10.78
Other Heads	1.58	1.78	1.95	2.58	2.93
Beneficent Departments, Civil Works etc, on Revenue Account	18.93	19.03	22.51	37.57	40.70
Education	11.00	12.17	16.92	24.87	29.38
Health Services	2.68	2.69	3.24	3.68	4.58
Agriculture	1.67	1.36	1.69	1.91	2.32
Veterinary	0.24	0.22	0.25	0.45	0.49
Industries	0.14	0.16	0.18	0.20	0.24
Civil Works and Miscellaneous Public Improvements	2.84	2.05	3.51	3.56	1.84
Other Heads	0.36	0.38	0.23	2.90	1.85
Miscellaneous	3.02	4.00	4.65	6.51	18.56
Total—Expenditure met from Revenue	40.38	41.19	54.33	74.73	90.24

(Sources.—Budget in Brief of the Federal Government).

Annex VI(c) to Appendix VIII

EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF N.W.F.P.

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Administrative Departments ..	3.42	2.97	2.17	3.82	6.70
Direct Demands on Revenue ..	1.24	1.11	0.53	0.56	0.81
Irrigation (excluding Interest) ..	0.63	0.75	0.84	1.69	1.81
Debt Services (inclusive of interest on Capital Outlay of Commercial Departments)	1.55	1.11	0.80	1.57	4.08
Civil Administration	5.95	7.49	9.01	11.41	9.10
General Administration	1.11	1.35	1.55	2.39	1.70
Police	1.87	2.03	2.53	3.20	3.50
Other Heads §	1.50	0.78	0.83	0.93	3.90
Frontier Regions	1.47	3.33	4.10	4.89	—
Beneficent Departments, Civil Works etc, on Revenue Account	9.50	10.17	13.04	14.93	19.26
Education	5.22	5.94	6.63	8.23	10.64
Health Services	1.28	1.44	1.44	1.84	2.60
Agriculture	0.83	0.86	0.97	1.00	1.16
Veterinary	0.20	0.22	0.25	0.27	0.36
Industries §	0.06	0.06	0.06	0.08	0.09
Civil Works and Miscellaneous Public Improvements	1.81	1.54	1.84	1.22	1.66
Other Heads	0.10	0.11	1.85	2.29	2.75
Miscellaneous	3.14	4.34	4.06	5.26	4.84
Total—Expenditure met from revenue	22.01	24.97	28.28	35.42	39.90

(Source.—Budget-in-Brief of the Federal Government).

Annex VI(d) to Appendix VII**EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF BALUCHISTAN**

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget
Administrative Departments ..	1.32	2.53	3.25	3.29	2.77
Direct Demands on Revenue ..	0.42	0.43	0.47	0.28	0.37
Irrigation (Excluding Interest) ..	0.45	0.52	0.93	1.06	1.10
Debt Services (inclusive of Interest on Capital Outlay of Commercial Departments)	0.45	1.58	1.85	1.95	1.30
Civil Administration	2.88	3.27	4.26	4.91	6.60
General Administration ..	1.10	1.25	1.51	1.83	2.14
Police	1.52	1.70	2.35	2.59	3.12
Other Heads	0.26	0.32	0.40	0.49	1.34
Beneficent Departments, Civil Works etc, on Revenue Account	6.18	6.78	8.34	13.16	16.96
Education	1.74	2.30	2.69	3.57	5.74
Health Services	0.68	0.80	1.01	1.45	2.30
Agriculture	0.58	1.15	1.18	2.59	1.56
Veterinary	0.23	0.31	0.36	0.42	0.45
Industries	0.09	0.04	0.07	0.28	0.30
Civil Works, and Miscellaneous Public Improvements	2.60	2.05	2.66	4.18	6.00
Other Heads	0.26	4.12	0.37	0.67	0.61
Miscellaneous	0.98	2.13	2.28	3.60	4.77
Total—Expenditure met from Revenue	11.36	14.71	18.13	24.96	31.10

(Source.—Budget-in-Brief of the Federal Government).

Annex VII to Appendix VIII

**PROJECTION OF DOMESTIC RESOURCES FOR FINANCING PUBLIC SECTOR DEVELOPMENT EXPENDITURE
DURING FIFTH FIVE YEAR PLAN**

(Rs in crores)

	1974-75 Revised	1975-76 Budget	Annual Growth Rate	1976-77 Projection	1977-78 Projection	1978-79 Projection	1979-80 Projection	Total 5th Plan
TAX RECEIPTS :								
Principal Heads	1011.26	1041.84		1117.10	1199.08	1288.41	1385.76	6032.19
Customs	960.60	993.49		1066.72	1146.58	1233.71	1328.76	5769.26
(Import Duties)	430.72	437.34		469.06	503.95	542.33	584.55	2537.23
(Export Duties)	(297.20)	(317.20)	10%	(348.92)	(383.81)	(422.19)	(454.41)	(1935.53)
Excise Duties	(133.52)	(120.14)	Repeated	(120.14)	(120.14)	(120.14)	(120.14)	(600.70)
Taxes on Income	323.38	340.00	9%	370.60	403.95	440.31	479.94	2034.80
Sales Tax	110.00	112.00	2.5%	114.80	117.67	120.61	123.63	588.71
Other Taxes	90.00	97.00	8%	104.76	113.14	122.19	131.96	569.05
Workers Welfare Tax	5.50	6.10	5%	6.40	6.72	7.06	7.41	33.69
Surcharges	1.00	1.05	5%	1.10	1.15	1.21	1.27	5.78
Natural Gas	50.66	48.35	4.2%	50.38	52.50	54.70	57.00	262.93
Cement	14.24	14.02		14.61	15.22	15.86	16.53	76.24
Petroleum	1.84	1.84		1.92	2.00	2.08	2.17	10.01
Price Equalisation	0.46	..		..	..	..	..	..
	1.63	..		..	..	..	..	..

Fertilizer	32.49	32.49		33.85	35.28	36.76	38.30	176.68
NON-TAX-RECEIPTS	365.90	330.27		355.08	382.91	414.16	449.29	1931.71
Interest Receipts	121.20	127.34	14.2%	145.42	166.07	189.65	216.58	845.06
Return on Investments	20.05	22.14		25.28	28.87	32.97	37.65	146.91
Return from Nationalized Banks and other Institutions	20.00	11.22		12.81	14.63	16.71	19.08	74.45
Interest Receipts	81.15	93.98		107.33	122.57	139.97	159.85	623.70
Other Receipts	244.70	202.93		209.66	216.84	224.51	232.71	1086.65
Opium	0.24	0.24	— Repeated	0.24	0.24	0.24	0.24	1.20
Post Office	—4.13	—5.50	—	—5.50	—5.50	—5.50	—5.50	—27.50
Telegraph and Telephone	12.84	11.18	10%	12.30	13.53	14.88	16.37	68.26
Civil Administration	7.54	6.57	7%	7.03	7.52	8.05	8.61	37.78
Currency and Mint	24.02	21.50	7.5%	23.11	24.84	26.70	28.70	124.85
Civil Works	1.51	1.34	10%	1.35	1.36	1.37	1.38	6.80
Defence Receipts	32.86	32.74	5%	34.38	36.10	37.90	39.79	180.91
Miscellaneous Receipts	31.24	31.46	6%	33.35	35.35	37.47	39.72	177.35
Trading Receipts	138.58	103.40	Repeated	103.40	103.40	103.40	103.40	517.00
Total	1377.16	1372.11		1472.18	1581.99	1702.57	1835.05	7963.90
Less: Income Tax refund to A. K. Government	—2.50	—2.50		—2.50	..	..	..	5.00
Total	1374.66	1369.61		1469.68	1581.99	1702.57	1835.05	7958.90

(Source.—Finance Division, Federal Government).

PROJECTION OF FEDERAL NON-DEVELOPMENT EXPENDITURE DURING 1975—80

(Rs. in crores)

	1974-75 Revised	1975-76 Budget	Annual Growth Rate	1976-77 Projection	1977-78 Projection	1978-79 Projection	1979-80 Projection	Total 5th Plan
Revenue Collecting Departments	8.84	8.77	6%	9.30	9.86	10.45	11.08	49.46
Civil Administration	140.31	139.35	6%	147.72	156.58	165.97	175.93	785.55
General Administration	32.24	34.68		36.76	38.97	41.31	43.79	195.51
Audit	5.69	5.81		6.16	6.53	6.92	7.34	32.76
Police	24.19	29.00		30.74	32.58	34.53	36.60	163.45
Frontier Regions	54.93	50.05		53.06	56.24	59.61	63.19	282.15
Other Administrative Departments	3.24	3.85		4.08	5.32	4.58	4.85	21.68
Foreign Affairs	20.02	15.96		16.92	17.94	19.02	20.16	90.00
Social Services and Beneficent Departments ..	34.18	42.48	15%	48.85	56.18	64.61	74.30	286.42
Scientific Departments	13.62	17.93		20.62	23.71	27.27	31.36	120.89
Education	5.88	6.59		7.58	8.72	10.03	11.53	44.45
Agriculture, Industries and Fisheries ..	2.01	4.09		4.70	5.40	6.21	7.14	27.54
Medical and Public Health	7.33	8.38		9.64	11.09	12.75	14.66	56.52
Aviation	4.56	4.64		5.34	6.14	7.06	8.12	31.30
Investment Promotion and Supplies Department	0.78	0.85		0.97	1.12	1.29	1.49	5.72
Currency and Mint	3.25	3.36	10%	3.70	4.07	4.48	4.93	20.54

Pensons, Stationery and Printing	..	..	5.92	6.52	15%	7.50	8.62	9.91	11.40	43.95
Civil Works	..	..	7.07	7.43	15%	8.54	9.82	11.29	12.98	50.06
Grants to Provinces	..	..	62.62	42.49	Repeated	42.49	42.49	42.49	42.49	212.45
Other Expenditure	..	..	25.11	30.99	6%	32.85	34.82	36.91	39.12	174.69
Debt Services	..	..	295.03	370.57	17%	433.57	507.28	593.52	694.42	2599.36
Defence Services	..	..	613.87	644.56	6%	683.23	724.22	767.67	813.73	3633.41
Subsidies	..	..	368.26	468.23	Repeated	468.23	468.23	468.23	468.23	2341.15
Imported Wheat	..	..	218.17	278.28		278.28	278.28	278.28	278.28	1391.40
Indigenous Wheat	..	..	13.46	63.29		63.29	63.29	63.29	63.29	316.45
Edible Oil	..	..	56.50	71.95		71.95	71.95	71.95	71.95	359.75
Oil Refineries	..	..	34.00	12.00		12.00	12.00	12.00	12.00	60.00
P.L.A.	..	..	12.36	10.00		10.00	10.00	10.00	10.00	50.00
Other	..	..	6.63	5.71		5.71	5.71	5.71	5.71	28.55
Cotton Export Corporation	..	..	27.14	27.00		27.00	27.00	27.00	27.00	135.00
Total	..	..	1564.10	1764.75		1885.98	2022.17	2175.53	2348.61	10197.04

(Source.—Finance Division, Federal Government).

Annex IX to Appendix VIII

PROJECTION OF PROVINCIAL REVENUE RECEIPTS AND NON-DEVELOPMENT EXPENDITURE MET FROM REVENUE FOR THE FIFTH PLAN PERIOD (1975-80)

SUMMARY

(Rs. in crores)

Province	Revenue Receipts	Non-development Expenditure	Revenue Deficit
1975-76			
Punjab	126.36	290.36	164.00
Sind	53.88	143.35	89.47
NWFP	15.83	60.09	44.26
Baluchistan	11.60	38.70	27.10
Total ..	207.67	532.50	324.83
1975-77			
Punjab	131.07	382.09	251.02
Sind	54.74	163.01	108.27
NWFP	15.83	68.36	52.53
Baluchistan	11.70	42.30	30.60
Total ..	213.34	655.76	442.42
1977-78			
Punjab	136.03	501.17	365.14
Sind	55.94	185.59	129.65
NWFP	15.83	77.29	61.46
Baluchistan	11.80	46.30	34.50
Total ..	219.60	810.35	590.75
1978-79			
Punjab	141.19	658.00	516.81
Sind	57.12	211.43	154.31
NWFP	15.83	86.98	71.15
Baluchistan	12.30	50.60	38.30
Total ..	226.44	1007.01	780.57
1979-80			
Punjab	146.61	865.74	719.13
Sind	58.34	241.23	182.89
NWFP	15.83	97.56	81.73
Baluchistan	12.30	55.20	42.90
Total ..	233.08	1259.73	1026.65
Total 5th Plan			
Punjab	681.26	2697.36	2016.10
Sind	280.02	944.61	664.59
NWFP	79.15	390.28	311.13
Baluchistan	59.70	233.10	173.40
Total ..	1100.13	4265.35	3165.22

Source.—Provincial Governments.

**PROJECTION OF PROVINCIAL REVENUE RECEIPTS AND NON-DEVELOPMENT
EXPENDITURE MET FROM REVENUE FOR THE FIFTH PLAN
PERIOD (1975-76 To 1979-80)**

SUMMARY

(Rs. in crores)

Province and year	Revenue Receipts	Expenditure met from Revenue	Revenue Deficit
Punjab			
1974-75 (base year)	121.80	218.74	96.94
1975-76	126.36	290.36	164.00
1976-77	131.07	382.09	251.02
1977-78	136.03	501.17	365.14
1978-79	141.19	658.00	516.81
1979-80	146.61	865.74	719.13
Total (Plan Period)	681.26	2697.36	2016.10
Mad			
1974-75 (base year)	56.60	90.24	33.64
1975-76	53.88	143.35	89.47
1976-77	54.74	163.01	108.27
1977-78	55.94	185.59	129.65
1978-79	57.12	211.43	154.31
1979-80	58.34	241.23	182.89
Total (Plan Period)	280.02	944.61	664.59
N.W.F.P.			
1974-75 (base year)	24.40	39.90	15.50
1975-76	15.83	60.09	44.26
1976-77	15.83	68.36	52.53
1977-78	15.83	77.29	61.46
1978-79	15.83	86.98	71.15
1979-80	15.83	97.56	81.73
Total (Plan Period)	79.15	390.28	311.13
Bihar/Assam			
1974-75 (base year)	30.50	31.10	0.60
1975-76	11.60	38.70	27.10
1976-77	11.70	42.30	30.60
1977-78	11.80	45.30	34.50
1978-79	12.30	50.60	38.30
1979-80	12.30	55.20	42.90
Total (Plan Period)	59.70	233.10	173.40
Total—All Provinces	1100.13	4265.35	3165.22

Source.—Provincial Governments.

Annex X(a) to Appendix VIII

REVENUE RECEIPTS OF THE GOVERNMENT OF THE PUNJAB

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
A. Provincial Taxes	57.40	60.06	62.85	65.81	68.89	72.14	329.75
Land Revenue	12.11	12.48	12.86	13.25	13.65	14.06	66.30
Agricultural Income Tax ..	0.64	0.64	0.64	0.64	0.64	0.64	3.20
Provincial Excise	3.62	3.73	3.84	3.96	4.08	4.20	19.81
Stamps	8.90	9.45	10.04	10.68	11.34	12.05	53.56
Registration	0.60	0.64	0.68	0.72	0.76	0.81	3.61
Motor Vehicles Tax	7.38	7.82	8.29	8.79	9.32	9.88	44.10
Other Taxes	24.15	25.30	26.50	27.77	29.10	30.50	139.17
(Property Tax)	(2.88)	(3.00)	(3.12)	(3.24)	(3.37)	(3.50)	(16.23)
(Luxuries Tax)	(4.72)	(5.00)	(5.30)	(5.62)	(5.96)	(6.32)	(28.20)
(Electricity Duty)	(4.48)	(4.75)	(5.03)	(5.33)	(5.65)	(5.99)	(26.75)
(Other)	(12.67)	(12.55)	(13.05)	(13.58)	(14.12)	(14.69)	(67.99)
B. Interest Receipts	2.90	3.00	3.10	3.20	3.30	3.40	16.00
C. Public Undertakings	31.71	33.12	34.57	36.08	37.67	39.32	180.76
Irrigation	25.67	26.70	27.77	28.87	23.03	31.22	144.59
Forest	6.04	6.42	6.80	7.21	7.64	8.10	36.17
D. Other Revenue	29.79	30.18	30.55	30.94	31.33	31.75	154.75
Civil Administration	2.55	2.56	2.57	2.58	2.59	2.60	12.90
Beneficent Departments	4.77	4.77	4.77	4.77	4.77	4.77	23.85
Federal Grants	3.41	3.41	3.41	3.41	3.41	3.41	17.05
Miscellaneous	3.03	3.14	3.25	3.36	3.47	3.58	16.80
State Trading Profits	10.04	10.07	10.08	10.10	10.11	10.15	50.51
Extraordinary Items	5.99	6.23	6.47	6.72	6.98	7.24	33.64
Total	121.80	126.36	131.07	136.03	141.19	146.61	681.26

Source.—Provincial Government.

NON-DEVELOPMENT REVENUE EXPENDITURE OF THE
GOVERNMENT OF THE PUNJAB

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
Administrative Departments ..	34.25	42.93	53.95	67.83	85.59	107.21	357.51
General Administration ..	7.85	9.32	11.07	13.15	15.62	18.55	67.71
Police	15.21	19.24	24.34	30.79	38.95	49.27	162.59
Other	11.19	14.37	18.54	23.89	31.02	39.39	127.21
Development Departments ..	142.86	189.94	254.08	343.89	464.58	629.15	1881.64
Civil Works and Miscellaneous Public Improvements ..	50.79	51.58	65.57	85.34	108.11	135.32	446.02
Agriculture	8.98	10.51	12.30	14.39	16.84	19.70	73.74
Education	55.71	93.41	132.78	188.75	268.31	381.40	1064.65
Health	12.19	15.67	20.25	26.31	34.37	45.21	141.81
Other	15.19	18.67	23.18	29.10	36.95	47.52	155.42
Debt Services	18.60	30.69	42.78	54.87	66.96	79.05	274.35
Other Expenditure	23.03	26.80	31.28	34.58	40.87	50.33	183.86
Subsidies	13.88	16.42	19.42	22.97	27.17	32.14	118.12
Other Expenditure ..	9.15	10.38	11.86	11.61	13.70	18.19	65.74
Total ..	218.74	290.36	382.09	501.17	658.00	865.74	2697.36

Source.—Provincial Government.

REVENUE RECEIPTS OF THE GOVERNMENT OF SIND

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
A. Provincial Taxes	32.16	33.69	33.50	33.95	34.40	34.83	160.77
Land Revenue	5.00	4.00	4.00	4.00	4.00	4.00	20.00
Agricultural Income Tax ..	0.05	0.06	0.06	0.06	0.06	0.06	0.30
Provincial Excise	3.30	3.96	4.02	4.08	4.14	4.20	20.40
Stamps	4.12	4.36	4.42	4.50	4.56	4.63	22.47
Registration	0.42	0.43	0.43	0.43	0.44	0.44	2.17
Motor Vehicles Tax	4.22	4.60	4.67	4.74	4.81	4.88	23.70
Other Taxes	15.04	15.68	15.90	16.14	16.39	16.62	80.73
(Property Tax)	(4.55)	(4.62)	(4.69)	(4.76)	(4.83)	(4.90)	(23.80)
(Luxuries Tax)	(3.85)	(4.26)	(4.33)	(4.39)	4.46	(4.53)	(21.97)
(Electricity Duty)	(2.84)	(2.88)	(2.92)	(2.96)	(3.01)	(3.05)	(14.82)
(Other)	(3.80)	(3.92)	(3.96)	(4.03)	(4.09)	(4.14)	(20.14)
B. Interest Receipts	2.85	2.22	2.49	3.03	3.57	4.11	15.42
C. Public Undertakings	8.21	6.10	6.15	6.21	6.26	6.33	31.05
Irrigation	7.21	5.05	5.05	5.05	5.05	5.05	25.25
Forest	1.00	1.05	1.10	1.16	1.21	1.28	5.80
D. Other Revenue	13.38	12.47	12.60	12.75	12.39	13.07	63.78
Civil Administration	2.37	2.39	2.39	2.43	2.43	2.47	12.11
Beneficent Departments ..	2.03	2.05	2.09	2.14	2.18	2.23	10.69
Federal Grants	1.65	..	..	..	..	..	..
Miscellaneous	2.58	3.40	3.46	3.49	3.56	3.62	17.53
State Trading Profits	2.00	2.00	2.00	2.00	2.00	2.00	10.00
Extraordinary Items	2.75	2.63	2.66	2.69	2.72	2.75	13.45
Total	56.60	53.88	54.74	55.94	57.12	58.34	280.02

Source.—Provincial Government.

NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT
OF SIND

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
Administrative Departments ..	19.80	28.95	31.84	35.03	38.53	42.36	176.71
General Administration ..	3.77	5.42	5.97	6.56	7.22	7.94	33.11
Police	10.78	16.59	18.24	20.07	22.08	24.28	101.26
Other	5.25	6.94	7.63	8.40	9.23	10.14	42.34
Development Departments ..	52.91	79.05	91.81	106.98	124.53	148.04	547.46
Civil Works and Miscellaneous Public improvements ..	10.05	13.55	16.74	19.24	22.13	25.44	97.10
Agriculture	1.78	3.39	3.89	4.48	5.15	5.92	22.83
Education	29.38	43.76	51.63	60.93	71.89	84.83	313.04
Health	4.58	6.96	7.99	9.17	10.53	12.08	46.73
Other	7.12	11.34	11.66	13.16	14.83	16.77	67.76
Debt Services	8.67	14.51	16.69	19.18	21.97	25.26	97.61
Other Expenditure	8.86	20.89	22.57	24.40	26.40	28.57	122.83
Subsidies	6.70	7.37	8.10	8.91	9.80	10.78	44.96
Other Expenditure ..	2.16	13.52	14.47	15.49	16.60	17.79	77.87
Total ..	90.24	143.35	163.01	185.59	211.43	241.23	944.61

Source.—Provincial Government.

Annex X(e) to Appendix VIII

REVENUE RECEIPTS OF THE GOVERNMENT OF NWFP

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
A. Provincial Taxes	5.50	5.50	5.50	5.50	5.50	5.50	27.50
Land Revenue	0.70	0.70	0.70	0.70	0.70	0.70	3.50
Agricultural Income Tax .. ..	..	0.01	0.01	0.01	0.01	0.01	0.05
Provincial Excise	0.40	0.42	0.42	0.42	0.42	0.42	2.10
Stamps	0.70	0.68	0.68	0.68	0.68	0.68	3.40
Registration .. ..	..	0.03	0.03	0.03	0.03	0.03	0.15
Motor Vehicles Tax	2.10	2.06	2.06	2.06	2.06	0.06	10.30
Other Taxes	1.60	1.60	1.60	1.60	1.60	1.60	8.00
(Property Tax)	(0.38)	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)	(1.85)
(Luxuries Tax)	(0.40)	(0.40)	(0.40)	(0.40)	(0.40)	(0.40)	(2.00)
(Electricity Duty)	(0.43)	(0.45)	0.45	(0.45)	(0.45)	(0.45)	2.25
(Other)	(0.39)	(0.38)	0.38	(0.38)	(0.38)	0.38	(1.90)
B. Interest Receipts	0.40	0.40	0.40	0.40	0.40	0.40	2.00
C. Public Undertakings	3.90	3.88	3.88	3.88	3.88	3.88	19.40
Irrigation	0.40	0.38	0.38	0.38	0.38	0.38	1.90
Forest	3.50	3.50	3.50	3.50	3.50	3.50	17.50
D. Other Revenue	14.60	6.05	6.05	6.05	6.05	6.05	30.25
Civil Administration	1.40	0.65	0.65	0.65	0.65	0.65	3.25
Beneficent Departments	1.20	1.10	1.10	1.10	1.10	1.10	5.50
Federal Grants	10.30	2.20	2.20	2.20	2.20	2.20	11.00
Miscellaneous	1.70	2.10	2.10	2.10	1.10	2.10	10.50
State Trading Profits .. ..	..	..	..	..	..	..	..
Total	24.40	15.83	15.83	15.83	15.83	15.83	79.15

Source. — Provincial Government.

Annex X(f) to Appendix VIII**NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF NWFP**

(Rs. in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
Administrative Departments ..	9.10	15.00	15.90	16.84	17.84	18.90	84.48
General Administration ..	1.70	3.41	3.61	3.82	4.05	4.29	19.18
Police	3.50	7.75	8.22	8.71	9.23	9.78	43.69
Other	3.90	3.84	4.07	4.31	4.56	4.83	21.61
Development Departments ..	18.20	25.13	28.14	32.95	37.50	42.76	166.48
Civil Works Miscellaneous Public Improvements ..	2.10	3.15	3.70	3.99	4.38	5.05	20.27
Agriculture	1.30	1.52	1.74	2.01	2.31	2.66	10.24
Education	11.20	14.82	17.04	19.60	22.54	25.92	99.92
Health	2.70	3.50	4.03	4.63	5.32	6.12	23.60
Other	0.90	2.14	1.63	2.72	2.95	4.01	12.45
Debt Services	2.30	8.63	11.63	14.63	17.63	20.63	73.15
Other Expenditure	10.30	11.33	12.69	13.77	14.01	14.37	66.17
Subsidies	8.00	8.28	8.53	8.78	9.04	9.31	43.94
Other Expenditure ..	2.30	3.05	4.16	4.99	4.97	5.06	23.13
Total ..	39.90	60.09	68.36	77.29	86.98	97.56	390.28

Source .—Provincial Government.

Annex X(g) to Appendix VIII

REVENUE RECEIPTS OF THE GOVERNMENT OF BALUCHISTAN

(Rs in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
A. Provincial Taxes	6.80	1.10	1.20	1.20	1.50	1.50	6.50
Land Revenue	0.40	0.50	0.50	0.50	0.60	0.60	2.70
Provincial Excise	0.10	0.10	0.10	0.10	0.10	0.10	0.50
Stamps	0.10	0.10	0.10	0.10	0.20	0.20	0.70
Registration .. ..	..	..	..	..	..	..	..
Motor Vehicles Tax	0.30	0.20	0.20	0.20	0.30	0.30	1.20
Other Taxes	0.20	0.20	0.30	0.30	0.30	0.30	1.40
(Property Tax)	(0.20)	(0.06)	(0.08)	(0.08)	(0.08)	(0.08)	(0.38)
(Luxuries Tax)	(..)	(0.09)	(0.11)	(0.11)	(0.11)	(0.11)	(0.53)
(Electricity Duty)	(..)	(0.02)	(0.05)	(0.05)	(0.05)	(0.05)	(0.22)
(Other)	(..)	(0.03)	(0.06)	(0.06)	(0.06)	(0.06)	(0.27)
Royalty on Natural Gas	5.70	..	..	..	..	..	..
B. Interest Receipts	0.10	..	..	..	0.10	0.10	0.20
C. Public Undertakings	0.50	-0.60	-0.60	-0.50	-0.50	-0.50	-2.70
Irrigation	0.30	-0.80	-0.80	-0.80	-0.80	-0.80	-4.00
Forest	0.20	0.20	0.20	0.30	0.30	0.30	1.30
D. Other Revenue	23.10	11.10	11.10	11.10	11.20	11.20	55.70
Civil Administration	0.35	0.25	0.25	0.25	0.28	0.28	1.31
Beneficent Departments	1.25	1.22	1.22	1.22	1.24	1.24	6.14
Federal Grants	20.88	9.00	9.00	9.00	9.03	9.03	45.06
Miscellaneous	0.62	0.63	0.63	0.63	0.65	0.65	3.19
Total	30.50	11.60	11.70	11.80	12.30	12.30	59.70

Source.—Provincial Government.

NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF
BALUCHISTAN

(Rs in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
Administrative Departments ..	6.60	6.60	7.00	7.50	7.90	8.30	37.30
General Administration ..	2.14	2.14	2.29	2.39	2.47	2.55	11.84
Police	3.12	3.12	3.27	3.62	3.92	4.22	18.15
Other	1.34	1.34	1.44	1.49	1.51	1.53	7.31
Development Departments ..	16.60	19.70	22.50	25.50	28.90	32.60	129.20
Civil Works and Miscellaneous							
Public Improvements ..	6.00	7.42	8.40	9.20	10.25	11.95	47.22
Agriculture	1.56	1.68	2.00	3.10	3.90	4.15	14.83
Education	5.74	7.06	7.90	8.80	9.75	10.80	44.31
Health	2.30	2.94	3.50	3.60	4.10	4.70	18.84
Other	1.00	0.60	0.70	0.80	0.90	1.00	4.00
Debt Services	1.30	4.80	5.20	5.70	6.10	6.60	28.40
Other Expenditure	6.60	7.60	7.60	7.60	7.70	7.70	38.20
Subsidies	5.60	7.00	7.00	7.00	7.00	7.00	35.00
Other Expenditure ..	1.00	0.60	0.60	0.60	0.70	0.70	3.20
Total ..	31.10	38.70	42.30	46.30	50.60	55.20	233.10

Source.—Provincial Government.

Annex X(I) to Appendix VIII**OVERALL RESOURCES OF THE FEDERAL GOVERNMENT AND PROVINCIAL GOVERNMENTS DURING 1975-76 TO 1979-80**

(Rs in crores)

	Federal Government			Provincial Governments			Total (3+6)
	Deficit	Provin- cial Share	Total deficit (1+2)	Deficit	Provin- cial Share	Total deficit (4-5)	
	1	2	3	4	5	6	7
1974-75 (base year) ..	189.44	119.63	309.07	146.68	119.63	27.05	336.12
1975-76	395.14	124.90	520.04	324.83	124.90	199.93	719.97
1976-77	416.30	128.10	544.40	442.42	128.10	314.32	858.72
1977-78	440.18	141.27	581.45	590.75	141.27	449.48	1030.93
1978-79	472.96	153.93	626.89	780.57	153.93	626.64	1253.53
1979-80	513.56	167.91	681.47	1026.65	167.91	858.74	1540.21
Total	2238.14	716.11	2954.25	3165.22	716.11	2449.11	5403.36

FEDERAL REVENUE ASSIGNMENTS TO PROVINCES

(Rs in crores)

Year	Total Net Collections	Divisible Pool (@80%)	East Pakistan Share (@54%)	West Pakistan Share (@46%)	Punjab	Sind	NWFP	Baluchistan
1970-71	266.49	181.19	91.45	89.74	50.70	21.09	13.91	4.04
1971-72	209.05	187.26	101.12*	86.14	48.67	20.24	13.35	3.88
1972-73	237.38	189.91	102.55	87.36	49.36	20.53	13.54	3.93
1973-74 (Revised)	239.70	191.76	103.55	88.21	49.84	20.73	13.67	3.97
1974-75 (Budget)	325.08	260.06	140.43	119.63	67.59	28.11	18.54	5.39
Total	1237.70	1010.18	539.10	471.08	266.16	110.70	73.01	21.21

*Amount actually released during the year was Rs 41.66 crores. Share for 1972-73 to 1974-75 was retained by the Federal Government due to cessation of East Pakistan in December, 1971.

Source.—Budget-in-Brief of the Federal Government.

Annex XII (a) to Appendix VIII

REVENUE ASSIGNMENTS TO THE GOVERNMENT OF PUNJAB

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget	Total
Customs .. ..	..	1.22	9.88	1.98	9.76	22.84
Federal Excise Duties	11.64	9.54	10.18	13.43	19.06	63.85
Taxes on Income.. ..	20.12	22.75	20.13	20.92	19.96	103.88
Sales Tax	18.67	14.89	8.80	12.58	17.78	72.72
Wealth Tax	0.24	0.23	0.31	0.87	0.98	2.63
Estate Duty	0.03	0.04	0.06	0.06	0.05	0.24
Total ..	50.70	48.67	49.36	49.84	67.59	266.16

Source.—Budget-in-Brief of the Federal Government.

REVENUE ASSIGNMENTS TO THE GOVERNMENT OF SIND

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget	Total
Customs .. ..	..	0.51	4.11	0.82	4.06	9.50
Federal Excise Duties ..	4.84	3.97	4.23	5.59	7.93	26.56
Taxes on Income ..	8.37	9.46	8.37	8.70	8.30	43.20
Sale Tax	7.76	6.19	3.66	5.23	7.39	30.23
Wealth Tax	0.10	0.10	0.13	0.36	0.41	1.10
Estate Duty	0.02	0.01	0.03	0.03	0.02	0.11
Total	21.09	20.24	20.53	20.73	28.11	110.70

Source.—Budget-in-Brief of the Federal Government.

Annex XII (c) to Appendix VIII

REVENUE ASSIGNMENTS TO THE GOVERNMENT OF NWFP

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget	Total
Customs .. .. .	..	0.33	2.70	0.54	2.68	6.25
Federal Excise Duties ..	3.19	2.62	2.79	3.68	5.23	17.51
Taxes on Income	5.52	6.24	5.52	5.74	5.47	28.49
Sales Tax	5.12	4.09	2.42	3.45	4.88	19.96
Wealth Tax	0.07	0.06	0.09	0.24	0.27	0.73
Estate Duty	0.01	0.01	0.02	0.02	0.01	0.07
Total	13.91	13.35	13.54	13.67	18.54	73.01

Source.—Budget-in-Brief of the Federal Government.

Annex XII (d) to Appendix VIII

REVENUE ASSIGNMENTS TO THE GOVERNMENT OF BALUCHISTAN

(Rs in crores)

	1970-71 Actuals	1971-72 Actuals	1972-73 Actuals	1973-74 Revised	1974-75 Budget	Total
Customs	0.10	0.79	0.16	0.78	1.83	
Federal Excise Duties ..	0.92	0.76	0.81	1.07	5.08	
Taxes on Income ..	1.60	1.81	1.60	1.66	8.26	
Sales Tax	1.49	1.18	0.70	1.00	5.78	
Wealth Tax	0.02	0.02	0.02	0.07	0.21	
Estate Duty	0.01	0.01	0.01	0.01	0.05	
Total ..	4.04	3.88	3.93	3.97	5.39	21.21

Source.—Budget-in-Brief of the Federal Government.

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

(Budget Wing)

SUBJECT :—*Federal Grants to Provinces*

The Federal grants-in-aid given to the Provinces can be divided into following three categories :—

- (1) Development Grants ;
- (2) Non-development Grants ; and
- (3) Subventions.

The above grants are discussed in the following paragraphs.

Development Grants

2. Development grants are given to the Provincial Governments for specific development schemes. Such grants are taken into account in the overall financing of the ADP. These grants can broadly be divided into two categories : (i) for projects of overall national importance for which there must be adequate provision in the Provincial ADP notwithstanding competing demands from other provincial schemes and (ii) occasional grants given for individual schemes on the basis of the merits of each case. The following development grants by the Federal Government are provided in the budget for the current year (1974-75) :—

A. Cash Grants (Revenue Account) :

- (i) Subsidy on Tubewells.
- (ii) Road Development.
- (iii) Grants for Workers Welfare.
- (iv) Grants for specific projects.

B. Cash Grants (Capital Account) :

- (i) Canadian Counterpart Fund.
- (ii) Food Aid Convention Fund.
- (iii) US Counterpart Fund.
- (iv) US AID Local Currency.

3. The grants mentioned at items (i) to (iii) under "A. Cash Grants (Revenue Account)" fall in the former category. It is considered that the existing pattern for Federal grants for development schemes may have to be continued. The nature and the quantum of grants of the first category would depend on the priority attached to various types of development schemes of the province or on the fact whether the Federal Government would take over the entire responsibility for any hitherto provincial schemes. An example is erst-while Federal grant for subsidy on fertilizer.

Non-development Grants

4. Federal Government gives the following categories of non-development grants to Provinces :—

- (i) Grants for specific purposes.
- (ii) Subsidies which the Provinces cannot finance because of limited resources.
- (iii) Grants to meet situations arising out of natural calamities.
- (iv) Grants to meet specific post-budget expenditure either because the Provinces cannot meet the expenditure or because the liability was created by Federal measure.
- (v) Grants for meeting revenue deficits of NWFP and Baluchistan worked out after accounting for subvention and grants of the first three categories.

5. During 1974-75 the following Federal grants are being given to Provinces :—

- (i) Grant for Transferred Institutions.
- (ii) Grant in reimbursement of expenditure on subjects transferred to Federal Government under Interim Constitution.
- (iii) Grant for KDA Master Plan.
- (iv) Grant for Roads.
- (v) Grant for Peoples' Local Council and for Local Government Training Institutes.
- (vi) Grant for subsidy on wheat.
- (vii) Other grants.
- (viii) Grant for meeting revenue deficit.

6. (i) *Grant for institutions transferred from the Centre to the Provinces.*— This is grant of category (i) mentioned in para 5 above. The Standing Reorganization Committee, 1962, appointed under the chairmanship of Mr. Mohammad Shoaib, former Federal Finance Minister, recommended that some of the Institutions/Departments, Schemes, etc. which were then under the control of the Federal Government should be transferred to the Provincial Governments. The reason for the transfer of these institutions was that they belonged to fields of Provincial responsibilities such as Agriculture, Health, Education, etc. The budget provision made in the Federal Budget during the years 1962-63 and 1963-64 was also transferred to the Provincial Governments. From 1964-65 onward grants-in-aid equal to the budget provision made during 1964-65 was fixed. Federal Government have since then been sanctioning annually a fixed

grant of Rs 64.31 lakhs to various Provinces in West Pakistan as per following breakup :—

	(Rs in lakhs)				
Punjab	18.05
Sind	19.79
N.W.F.P.	25.11
Baluchistan		1.36
				Total	64.31

Incidentally, during the year 1973-74, the grant to Punjab was reduced by Rs 10 lakhs and to Sind by Rs 5.07 lakhs representing the expenditure on Manpower and Employment Exchanges which subject was transferred under the Interim Constitution to the Federal Government. This grant is a historical anachronism. Once the expenditure has clearly become a provincial responsibility like other non-development expenditure it should have been met from overall provincial resources, especially, when in consideration of their increased responsibilities, their share in Federal revenue was increased in 1970. In any case, the National Finance Commission may consider the desirability of recommending discontinuance of this grant.

(ii) *Lump sum provision for reimbursement of expenditure incurred by the Provincial Governments on subjects transferred to Federal Government.*—This is also a grant of category (i) mentioned in para 5 above. The following four subjects were transferred to the Federal Government under the Interim Constitution but their administration remained with the Provincial Governments, who acted as agents of the Federal Government, :—

- (a) Setting up and carrying of labour exchanges, employment information bureaus and training establishments.
- (b) Arms, firearms, ammunition.
- (c) Opium, so far as regards cultivation and manufacture or sale for export.
- (d) Regulation of labour and safety in mines and oil fields.

In order to meet the expenditure on the above items reimbursable to the Provincial Governments, a lump provision is made in the Federal Budget. On receipt of their demands supported by actual expenditure incurred by them, releases are made from this provision.

In the existing Constitution all the four subjects mentioned above have been shown in the Concurrent Legislative list. The question of allocation of responsibilities to Federal and Provincial Governments in respect of above items was considered in the meeting of the Governors' Coordination Committee held on 15th November, 1974. In accordance with decision of the said meeting, only the collection expenses in respect of Excise Duty on Minerals, (Labour Welfare) Act, 1967 would now come within the purview of this grant.

(iii) *Grant for KDA Master Plan.*—On representation from the Provincial Government, the prime minister was pleased to sanction a grant of Rs 8 lakhs for the continuance of the Master Plan Department of KDA with effect from 1973-74.

(iv) *Grant for Roads.*—These grants are made to finance expenditure incurred by Provinces on non-development account on works relating to Central Roads and Roads of National Importance. The size of these grants depends on the projected expenditure during a particular year as assessed by the Communications Division. Since this grant is intended to ensure maintenance of essential roads, it may have to be continued.

(v) *Grant for Peoples Local Councils and for Local Government Training Institutes.*—These grants-in-aid to the Provincial Governments represent 60% expenditure incurred on local government institutions, etc. financed by the Federal Government. The quantum of these grants may vary according to the actual expenditure falling to the share of the Federal Government. Since, under the Constitution this is purely a provincial responsibility, the National Finance Commission may like to take this expenditure into account in the new dispensation and recommend abolition of this grant.

(vi) *Grant for subsidy on wheat.*—The issue and procurement prices of wheat are fixed by the Federal Government to maintain uniformity of prices in all the provinces. The differential between the procurement price (including some incidentals) and the issue price results in a loss on this account. In the Finance Secretaries Conference held on 19th April, 1973 the Finance Secretaries Punjab and Sind raised the issue that the increased differential between the procurement and issue prices was placing the wheat growing provinces in a disadvantageous position and this subsidy should be picked up by the Federal Government. Since 1973-74 the entire loss borne by the Provinces on this account is picked up by the Federal Government through this grant. Since burden on this account may fluctuate heavily as a result of Federal decision on the procurement and issue prices and the withdrawal of Federal grant may militate against the objective of self-sufficiency in wheat, even though primarily this expenditure is a provincial responsibility, the grant may continue.

(vii) *Other grants to Provinces.*—During the course of the financial year when the provincial governments are confronted with unbudgeted expenditure, requests for Federal grants are examined on merit of each individual case and extra-budgetary grants are made to them.

(viii) *Grant for meeting revenue deficit.*—Assessment of the resources of the Provincial Governments is made annually to determine their non-development revenue surpluses and deficits. In the case of NWFP and Baluchistan which are deficit provinces, the entire revenue deficit is picked up by the Federal Government and releases are made in monthly instalments. As a result of transfer of royalty and excise duty on natural gas to the provinces, the budgeted revenue deficit of Rs 14.07 crores of Baluchistan province has almost been completely wiped out. During the next year an amount of about Rs 25 crores is estimated to accrue to them on this account and accordingly this province is now expected to become financially viable.

For current financial year only, the Federal Government has given grants also to the provinces of Punjab and Sind to meet additional expenditure on account of Ration Allowance to Police and for meeting expenditure on grant of Special Dearness Allowance on Pay and Pensions as detailed below :—

		(Rs in lakhs)	
		Punjab	Sind
Ration Allowance to Police .. .. .	.. .. .	164.49	143.94
Special Dearness Allowance .. .. .	.. .. .	1391.50*	836.00*
	Total ..	1555.99	979.94

*Net figure after adjusting additional resources on account of sugar profits and increase in excise duty on natural gas.

Subventions

7. In the wake of introduction of Government of India Act, 1935, Sir Otto Niemeyer was appointed to make recommendations for the assignment of revenue and sharing of taxes. He recommended an annual subvention of Rs 1 crore for NWFP. This was enhanced to Rs 1.25 crores by Sir Jeremy Raisman in 1953. NWFP kept on receiving this subvention till the creation of One Unit in West Pakistan in 1955. At this stage, administration of some more tribal areas, previously with the Centre, was entrusted to the former Government of West Pakistan and the assistance was enhanced to Rs 2.99 crores with the following break up :—

		(Rs crores)
(i) Subvention payable to the former NWFP Government.	..	1.25
(ii) Assistance to meet revenue deficit of new areas entrusted to former Government.	..	1.02
(iii) Assistance for maintenance of strategic roads	..	0.72
	Total ..	2.99

On the re-emergence of the four Provinces in West Pakistan with effect from 1st July, 1970, some of the tribal areas reverted to the Federal Government and the Provinces of NWF and Baluchistan were allowed assistance of Rs 1.55 crores and Rs 0.92 crores respectively according to the area that went to them. It is for consideration of the National Finance Commission whether the above fixed subvention and other assistance, which has become out of date in view of the fact that since the dissolution of the Province of West Pakistan, the entire deficits of these two Provinces are being picked up by the Federal Government, should still continue. The likelihood of the Province of NWF continuing to be a deficit province under the existing financial arrangements between the Federation and the Provinces, may be taken care of in the new dispensation to be recommended by the Commission.

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

SUBJECT :—*Borrowing by the Federal Government*

The Federal Government's internal borrowing mainly comprises the following :—

- (i) Market Loans and
- (ii) Treasury Bills.

Market Loans.—These are generally raised through open market operation. The main purpose in raising these loans is either to refinance the maturing loans or to secure funds for meeting our ways and means gaps and for additional requirements to finance the development programme.

Treasury Bills.—These are short-term investments made by banks, specialized financial institutions and autonomous bodies in Government bills having a maturity of ninety days. Such investments lend ways and means support or otherwise enable Government to meet short-term cash requirements at a cheaper rate of interest than that applicable to long-term borrowing like market loans. Treasury bills are sometimes floated by Government to meet special requirements such as payment to IMF or other international agencies.

2. The borrowing power of the Federal Government is derived from Article 166 of the Constitution. According to existing practice which is in vogue since Independence, the size of the Federal Government's borrowing from the market is usually determined at the time of framing the budget of a new financial year. This determination is based primarily on the quantum of a maturing loan. Government's borrowings are duly included in the Annual Budget Statement which is placed before the National Assembly and these are thereby brought to the notice of the Legislature. The enclosed statements* show the data regarding the amount of the market loans that matured for repayment during the period 1970-71 to 1974-75, the gross amount of new loans raised, and the net receipts from this source during the said period.

* See Enclosures I, II and III at pages 104-106.

SUMMARY

(Rs in crores)

Financial year	Redemption of maturing liabilities	Gross receipt from new loans	Net receipt
1970-71	88.60	131.75	43.15
1971-72	24.14	56.31	32.17
1972-73	26.85	..	-26.85 (Discharged in cash without refinancing arrangement).
1973-74	48.56	58.09	9.53
1974-75	21.80	36.59	14.79
Total	209.95	282.74	72.79

Note.—Further details as well as the outstanding obligations of the Federal Government in respect of market loans and treasury bills during the period 31st December, 1971 to 31st January, 1975 are given in the attached statements. (Enclosures II and III at pages 105-106).

DETAILS OF MATURITIES AND FLOATATION OF MARKET LOANS DURING 1970-71 TO 1974-75

Financial year	Maturing Loans	Date of maturity	Amount to be redeemed (Rs crores)	Fresh Loans issued	Gross receipt (Rs crores)	Net receipt (column 6 minus 4)
1	2	3	4	5	6	7
1970-71 ..	(i) 3% Loan 1969-70	20-7-1970	5.30	(i) 5-1/4% Loan 1977-78 (20-7-1970)	30.30	
	(ii) 3% Loan 1970	2-10-1970	30.00	(ii) 5-1/4% Loan 1977-78 (Re-issue) (2-10-1970)	34.19	
	(iii) 5% Defence Bonds 1970	8-11-1970	18.89	(iii) 5-3/4% Loan 1990 (2-10-1970)	16.49	
	(iv) 3-1/2% Loan 1970-71	14-6-1971	34.41	(iv) 5-1/4% Loan 1979-80 (14-6-1971)	31.91	
				(v) 6% Loan 1991 (14-6-1971 to 10-7-1971)	18.86	
		Total ..	88.60		131.75	43.15
1971-72 ..	4% Loan 1972	15-6-1972	24.14	6% Loan 1982 (15-6-1972)	56.31	32.17
1972-73 ..	5% Loan 1971-72	29-7-1972	26.85	Discharged in cash on 29-7-1972		-26.85
1973-74 ..	4% Loan 1972-73	28-7-1973	48.56	6-1/2% Loan 1982-83 (28-7-1973)	58.09	9.53
1974-75 ..	4% Loan 1974	27-7-1974	21.80	8-1/2% Loan 1986 (27-7-1974)	36.59	14.79
	Total—(1970-71 to 1974-75) ..		209.95		282.74	72.79

OUTSTANDING BALANCES IN RESPECT OF MARKET LOANS AND FLOATING DEBT

OUTSTANDING BALANCES IN RESPECT OF PAKISTAN RUPEE LOANS AND FLOATING DEBT

(Rs in lakhs)

PARTICULARS OF DEBT	OUTSTANDING AS ON					REMARKS
	31-12-1971	30-6-1972	30-6-1973	30-6-1974	31-1-1975	
I. Permanent Debt—						
Internal Rupee Debt	76391.16	81987.89	77165.12	78182.01	84324.47	Including outstanding amount of discharged loans.
Market Loans (Public Debt Office, Dacca)	1658.26	1658.07	1656.21	1655.63	1655.61	Including Income-tax Bonds
Market Loans (P.D.O. Karachi and Lahore).. .. .	74732.90	80329.82	75508.91	76526.38	82668.85	Including Income-tax and Government Bonds
National Prize Bonds (P.D.O. Dacca)	2.46	2.46	2.46	2.45	2.45	
National Prize Bonds (P.D.O. Karachi and Lahore)	2200.16	2271.42	2762.05	4065.48	4853.56	
II. FLOATING DEBT	45731.11	49331.13	69495.74	57393.91	58223.54	
(i) Bills for Ways and Means Advances	22496.00	28295.23	26316.66	27495.00	28264.00	
(ii) Annuity Bills	353.10	353.10	302.80	254.16	207.28	
(iii) Bills created to cover losses on accounts of devaluation of pound sterling and Indian rupee	1709.88	1709.88	1709.88	..	..	Retired in full on 3-12-1973
(iv) Bills for payment to IMF	1426.53	1426.53	1426.53	..	..	Retired in full on 28-3-1974
(v) Bills for loan to Investment Corporation	1000.00	1000.00	1000.00	..	..	Retired in full on 28-3-1974
(vi) Bills for loan to East Pakistan Province	1317.50	1350.44	1418.80	1390.63	1527.89	
(vii) Bills for loan to West Province Province.. .. .	1757.25	1640.10	1155.80	921.50	804.35	
(viii) Bills for loan to Pakistan Insurance Corporation.	754.30	454.30	454.30	..	..	Retired in full on 28-3-74.
(ix) Bills to meet losses of State Bank .. .. .	..	..	6982.77	6982.77	6982.77	
(x) Treasury Bills on Tap	14916.55	13101.00	27224.90	14496.00	12629.25	
(xi) Government Treasury Deposit Receipts .. .. .	..	..	1503.30	5853.85	7808.00	

**SUPPLEMENTARY WORKING PAPER FOR THE SECOND MEETING
OF NATIONAL FINANCE COMMISSION**

Government of Sind have now furnished revised projections of their revenue receipts and non-development revenue expenditure for the period 1975 to 1980 (Annexes I and II)*. According to the new working, the cumulative revenue deficit of that Government is now estimated to be Rs 708.42 crores against Rs 664.59 crores projected earlier, or a deterioration of Rs 43.83 crores in Provincial resources.

2. Federal Finance Division too has reported that rice profits (shown as trading receipts) during 1975-76 would be Rs 42.59 crores instead of Rs 103.40 crores earlier estimated thereby showing deterioration of Rs 60.81 crores annually or a cumulative decrease of Rs 304 crores over the five year period.

3. Taking into account the aforesaid changes the overall total resource gap of the Federal and Provincial Governments amounting to Rs 5403.36 crores worked out in Annex XI to Appendix VIII (page 92) will now increase to Rs 5751.24 crores.

4. Government of Baluchistan have asked for the collection of the following information for their use :—

- (a) Total investments of development expenditure from 1955 to 1970.
- (b) Loans (foreign and local) waived off by the Federal Government in case of each Province.
- (c) Incidence and collection of taxes comprising the divisible pool since 1955 to 1970.
- (d) Price index of construction materials and other commodities for the last ten years.
- (e) The rise in contract rates for the last ten years.
- (f) The wage index for the last ten years.
- (g) Population figures of the four Provinces.

5. Information regarding population of Pakistan has been obtained from the Census Commissioner and is enclosed (Annex III)†. It is for the consideration of the Commission whether the rest of the information desired by the Government of Baluchistan may also be collected as it is or the Commission would like to devise a uniform proforma for collecting information for its use.

* See pages 108-109.

† See page 110

REVENUE RECEIPTS OF THE GOVERNMENT OF SIND

(Rs in crores)

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	Total
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	5th Plan
A. Provincial Taxes	32.16	32.55	33.71	34.95	36.25	37.62	175.08
Excise Revenue	5.00	4.00	4.00	4.00	4.00	4.00	20.00
Agricultural Income Tax	0.06	0.06	0.06	0.06	0.06	0.06	0.30
Provincial Excise	3.30	4.09	4.30	4.51	4.74	4.98	22.62
Stamps	4.12	4.60	4.92	5.27	5.64	6.03	26.46
Registration	0.42	0.43	0.43	0.44	0.45	0.45	2.20
Motor Vehicle Tax	4.22	4.84	5.17	5.54	5.92	6.34	27.81
Other Taxes	15.04	14.53	14.83	15.13	15.44	15.76	75.69
(Property Tax)	(4.55)	(4.11)	(4.17)	(4.24)	(4.30)	(4.36)	(21.18)
(Luxuries Tax)	(3.85)	(4.33)	(4.46)	(4.59)	(4.73)	(4.87)	(22.98)
(Electricity Duty)	(2.84)	(1.92)	(1.96)	(1.99)	(2.02)	(2.05)	(9.94)
(Other)	(3.80)	(4.17)	(4.24)	(4.31)	(4.39)	(4.48)	(21.59)
B. Interest Receipts	2.85	2.22	2.49	3.03	3.57	4.11	15.42
C. Public Undertakings	8.21	6.10	6.15	6.21	6.26	6.33	31.05
Irrigation	7.21	5.05	5.05	5.05	5.05	5.05	25.25
Forest	1.00	1.05	1.10	1.16	1.21	1.28	5.80
D. Other Revenue	13.38	14.11	14.38	14.61	14.83	15.07	73.00
Civil Administration	2.37	2.39	2.39	2.43	2.43	2.47	12.11
Government Departments	2.03	2.05	2.09	2.14	2.18	2.23	10.69
Federal Grants	1.65						
Miscellaneous	2.58	3.45	3.60	3.68	3.75	3.83	18.31
State Trading Profits	2.00	3.14	3.18	3.22	3.27	3.31	16.12
Extraordinary Items	2.75	3.08	3.12	3.14	3.20	3.23	15.77
Total	56.60	54.98	56.73	58.80	60.91	63.13	294.55

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NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF SIND
(Rs in crores)

	1974-75 Budget	1975-76 Forecast	1976-77 Forecast	1977-78 Forecast	1978-79 Forecast	1979-80 Forecast	Total 5th Plan
Administrative Departments ..	19.80	25.99	28.58	31.44	34.59	38.05	158.65
General Administration ..	3.77	5.42	5.97	6.56	7.22	7.94	33.11
Police ..	10.78	16.59	18.24	20.07	22.08	24.28	101.26
Other ..	5.25	3.98	4.37	4.81	5.29	5.83	24.28
Development Departments ..	52.91	86.10	99.94	116.12	134.85	156.68	593.69
Civil Works and Miscellaneous Public Improvements ..	10.05	14.65	15.59	16.71	17.90	19.24	84.09
Agriculture ..	1.78	3.39	3.89	4.48	5.15	5.92	22.83
Education ..	29.38	43.75	51.63	60.93	71.89	84.83	313.04
Health ..	4.58	6.96	7.99	9.17	10.53	12.08	46.73
Other ..	7.12	17.34	20.84	24.83	29.38	34.61	127.00
Debt Services ..	8.67	14.51	16.69	19.18	21.97	25.26	97.61
Other Expenditure ..	8.86	24.86	28.13	29.71	33.74	36.59	153.03
Subsidies ..	6.70	17.46	19.67	20.63	21.63	20.91	100.30
Other Expenditure ..	2.16	7.40	8.46	9.08	12.11	15.68	52.73
Total ..	90.24	151.46	173.34	196.45	225.15	256.58	1002.98

POPULATION OF PAKISTAN

	Population (in 000)	Percentage (of total)
I. Total Pakistan	6,49,80	100%
(a) Federal Capital Area	2,36	0.36%
(b) Federally Administered Tribal Areas	24,86	3.83%
(c) Provinces	6,22,58	95.81%
Punjab	(3,75,08)	(57.72)%
Sind	(1,40,08)	(21.56)%
North-West Frontier Province	(83,37)	(12.83)%
Baluchistan	(24,05)	(3.70)%
II. Total Provinces	6,22,58	100%
Punjab	3,75,08	60.25%
Sind	1,40,08	22.50%
North-West Frontier Province	83,37	13.39%
Baluchistan	24,05	3.86%
III. Azad Kashmir and Northern Areas	19,73	100%
Azad Kashmir	15,58	78.9
Northern Areas	4,15	21.1

Source.—Census Commissioner, Government of Pakistan.

WORKING PAPER FOR THIRD MEETING OF NATIONAL FINANCE COMMISSION

1. *Minutes of Second Meeting.*—The minutes* have already been circulated to Members of the National Finance Commission and official participants under NFC Secretariat letter No. F.2(1)-NFC/75 dated the 14th March, 1975.** These are now to be considered and confirmed.

2. *Report of Working Group.*—The National Finance Commission at its last meeting held on 20th February, 1975, appointed a Working Group to prepare, on the lines of broad criteria indicated by it (cf. paragraphs 23-24 of minutes), projections of revenue resources of the Provincial and Federal Governments for the five year period from 1975-76 to 1979-80. The report (Annex II) † of the Working Group received by the Secretariat under Convenor's letter ‡ dated the 20th March, 1975 is attached for consideration of the National Finance Commission. According to the report, the summary position of overall revenue resources of the Provincial and Federal Governments is as under :

						(Rs in crores)	
						Assessment according to Provincial Governments' representatives	Assessment according to Federal Government's representative
I. Provincial Governments (combined) :							
Revenue Receipts	..	..	..	..	1279	1139
Non-Development Revenue Expenditure	..	..			3451	2984
Surplus	..	..	..	..	-2172	-1845
II. Federal Government :							
Gross Revenue Receipts	..	..	..	..	8732	8693
Non-Development Revenue Expenditure (excluding subsidies)					7561	7561	
Surplus	..	..	..	..	1171	1132
III. Overall Surplus	..	..	..	..	-1001	-713

However, there are certain issues and areas in the report concerning these projections that need careful consideration and decision by the National Finance Commission to achieve consensus.

3. *Data of Locational Investment of Federal Agencies and the Government during Plan Periods.*—Following the first meeting of National Finance Commission, the Secretariat at the request of the Member from NWFP had written to administrative Divisions and Agencies of the Federal Government for data on "quantified locational investment of the Federal Agencies and Government during the

* Appendix II at pages 20—26.

** Not printed.

† Pages 114-135.

‡ Page 113

Plan Periods so far". The information received has been tabulated and is attached in five different tables as under :

- Table 1.—Common (Annex X—page 153).
- Table 2.—In area of Punjab Province (Annex XI—page 154).
- Table 3.—In area of Sind Province (Annex XII—page 155).
- Table 4.—In area of NWF Province (Annex XIII—page 156).
- Table 5.—In area of Baluchistan Province (Annex XIV—page 157).

Information from the Communications Division, Education Division, and Agencies under them has not yet been received. It will be submitted to the Commission after it is available.

4. *Data on Economic Indicators.*—As stated in the working paper for the second meeting, Governments of Sind and Baluchistan requested the Secretariat to collect data on certain economic indicators specified by them. The Secretariat accordingly addressed the Provincial Governments and the concerned Divisions and Agencies of the Federal Government on the 7th March, 1975. Information that has become available so far has been included in the proforma at Annex XIV (page 158—160).

Province	1974-75	1973-74
II. Federal Government	1171	1171
III. Provincial Governments	1008	1008
IV. Provincial Governments	1171	1171
V. Provincial Governments	1008	1008
VI. Provincial Governments	1171	1171
VII. Provincial Governments	1008	1008
VIII. Provincial Governments	1171	1171
IX. Provincial Governments	1008	1008
X. Provincial Governments	1171	1171
XI. Provincial Governments	1008	1008
XII. Provincial Governments	1171	1171
XIII. Provincial Governments	1008	1008
XIV. Provincial Governments	1171	1171
XV. Provincial Governments	1008	1008
XVI. Provincial Governments	1171	1171
XVII. Provincial Governments	1008	1008
XVIII. Provincial Governments	1171	1171
XIX. Provincial Governments	1008	1008
XX. Provincial Governments	1171	1171

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GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE

Islamabad, the 20th March, 1975

FROM :

M. A. G. M. Akhtar,
Additional Finance Secretary (Budget) and
Chairman of the Working Group.

To

The Secretary
National Finance Commission,
ISLAMABAD.SUBJECT :—*Projections for the period 1975 to 1980*

DEAR SIR,

In pursuance of National Finance Commission's decision dated 20th February, 1975, I forward herewith report* of the Working Group appointed by the Commission for working out projections of Federal and Provincial Governments for the period 1975 to 1980 with the request that this may kindly be submitted to the Commission for consideration.

With kind regards

Yours sincerely

M. A. G. M. AKHTAR

*See Annex II at pages 114—135.

Annex II to Appendix X**REPORT OF THE WORKING GROUP ON PROJECTION OF RESOURCES OF THE FEDERAL GOVERNMENT AND THE PROVINCES FOR THE PERIOD 1975—80.**

In the meeting of the National Finance Commission held on 20th February, 1975, it was decided to constitute a Working Group comprising the Additional Secretary (Budget), Federal Finance Division, as its Chairman and Finance Secretaries of the Provinces as members, to work out projections of revenue resources of the Federal and Provincial Governments for the next five years (1975-76 to 1979-80) and to submit a report to the Commission. It was also decided that, in doing so, the Working Group would first determine the revised estimates of expenditure for the year 1974-75 on the basis of specific additional burdens and new services undertaken besides the existing level of facilities available in the Centre and the Provinces, and also giving the actuals for the year 1973-74. Based on the revised estimate so determined and, after excluding the non-recurring burdens relating to the current year, a base for projection and the rate of growth were required to be worked out.

2. The Working Group held its meetings on 27th February, 1975, 5th March, 1975 and 10th March, 1975. Consensus was reached in the proceedings of the Working Group on most of the items of receipts and expenditure in the estimates submitted by the Federal and Provincial Governments. However, unanimity could not be achieved in respect of a few items. In the case of Federal Government, agreement could not be achieved in respect of export duties. Similarly, agreement could also not be reached regarding irrigation receipts, interest receipts, etc. in Provincial estimates.

3. The estimates of Provincial Governments were discussed in the meetings of the Working Group held on 27th February and 5th March, 1975. A gist of the discussions is given below.

PROVINCIAL PROJECTIONS**Revenue Receipts—Tax Receipts**

4. *Royalty and Excise Duty on Natural Gas.*—The projection has been made on the basis of the estimates furnished by the CBK and Natural Resources Division, who are the concerned agencies. A growth rate of 5% has been adopted.

5. *Land Revenue.*—It was decided that growth rate of 3% may be adopted in so far as the provinces of NWFP and Baluchistan are concerned. Finance Secretary, Punjab, agreed to a growth rate of 5% while Finance Secretary, Sind stated that due to flat rate system introduced in the province the growth in the land revenue in the Province of Sind would be nil. It was considered by the representative of the Federal Government that keeping in view the growth of revenue in previous years, at least 5% growth should be projected in respect of both these provinces. The Punjab Finance Secretary stated that in that case the rate should be applied to all the provinces. Finance Secretaries NWFP and Baluchistan stated that the benefit of Tarbela Dam would largely go to the Punjab and Sind. This scheme would augment Kabi water requirements and ensure adequacy of water supply throughout the year. Some additional land would be brought under cultivation. The number of tubewells was rising at the rate of

10% and efforts were being made to eliminate water logging and salinity conditions over large affected tracts. It was therefore decided that these two provinces should adopt a growth rate of 5% and NWFP and Baluchistan 3%. This was agreed to. Accordingly, in Enclosures to Annex III growth rate of 5% for Punjab and Sind, and 3% for NWFP and Baluchistan has been adopted. As regards the base, this has been determined keeping in view the actuals for the last year and the growth rate. In the case of Sind, while the actuals for the year 1973-74 were Rs 6.10 crores, Finance Secretary Sind stated that on the basis of actuals for the first five months, receipts for the whole year (1974-75) would not be more than Rs 4 crores which should be taken as the base for projections. He stated that the growth in the last three years was mainly because of the realization of arrears and that the bulk of the dues had already been realized. It was decided to include a base of Rs 6.10 crores in Enclosures to Annex III based on the assessment of the Federal Government's representative, and Rs 4 crores in Enclosures to Annex IV based on the views of the respective Finance Secretaries.

6. *Other Provincial Taxes.*—Agreement was reached after discussion with regard to the base and growth rates in respect of other tax receipts of the Provincial Governments, the growth rates being as follows :—

Agricultural Income Tax	..	..	..	Nil
Provincial Excise	..	..	..	5%
Stamps	..	..	..	7%
Registration	..	..	..	6%
Motor Vehicles Tax	..	..	..	7%
Other Taxes and Duties	..	..	..	12%

7. *Non-tax Receipts.*—Excepting irrigation and interest receipts, general agreement was reached after discussion and examination of the growth in revenue in respect of non-tax receipts. The following growth rates were adopted for the receipts indicated below :—

Administrative Departments	..	..	..	5%
Beneficent Departments	..	..	..	5%
Pensions	..	..	..	Nil
Stationery	..	..	..	5%
Trading Profits	..	..	..	5%
Other receipts	..	..	..	5%

8. As regards Forests, it was decided to apply 20% growth rate to NWFP, 10% to Punjab and 5% in case of Sind and Baluchistan. Higher percentage was adopted in case of NWFP keeping in view the fact that the prices of timber were rising and that pilferage, theft, etc. would be checked. Finance Secretary NWFP, however, stated that he would agree to 20% growth in Forest receipts subject to lifting of ban on cutting down of mature trees.

9. In regard to irrigation receipts, the Provinces of Punjab, Sind, NWFP and Baluchistan showed in the revised estimates 1974-75 on a net basis *minus* receipts of Rs 9.14 crores, Rs 5.49 crores, Rs 1.80 crores and Rs 1.51 crores, respectively. All the four Provincial Finance Secretaries were of the view that

expenditure on irrigation works should be assigned a growth rate of at least 15% regardless of the receipts from this source. For gross irrigation receipts, the Provinces other than Sind agreed to a growth rate of 3%. Government of Sind stated that because of flat rate system there would be no growth. Finance Secretary, Baluchistan stated that keeping in view that heavy outlays were being made in the two provinces in the sinking of tubewells, which were being subsidized, the gross receipts of Punjab and Sind should show higher growth rate. Federal Government's representative stated that irrigation was a service and there was no justification for subsidizing this service at the cost of tax payer, specially as substantial investments were taking place by way of replacement works, like Tarbela Dam, to bring more area under cultivation. There was little reason on equity grounds for this discrimination between the irrigated and non-irrigated areas since the farmers in the former group are generally better off. Higher water rates are not likely to discourage aggregate production as apprehended but, on the other hand, may result in more efficient use of available water and improvement of existing facilities. In the long term projection, as in the present case, the gross receipts should at least be equal to the working expenses including interest charges. Accordingly in Annex III*, the projection has been made on the basis of *nil* net irrigation receipts. In Annex IV†, the projection is as agreed to by the provinces separately for gross receipts and working expenses.

10. As regards interest receipts, Finance Secretary Sind stated that there would be no growth in these receipts in his province because a large number of loans granted to autonomous bodies have been converted into grants. The provinces of Punjab, NWF and Baluchistan agreed to adopt a growth rate of 3% in their projections. Federal representative pointed out that, with larger amounts of loans being given by the Federal Government to the Provinces, parts of which are passed on to autonomous bodies and the fact that 15% growth has been proposed by the provinces for loans and advances given by them, the interest receipts should be subject to a growth rate of 15%. Accordingly, in Annex III*, projection of interest has been made at the rate of 15% and in Annex IV† on the basis agreed to by the provinces.

11. In revised estimated 1974-75, all grants by the Federal Government, including those for meeting revenue deficits, have been worked out after accounting for subvention and other recurring grants. These include post-budget Federal grants as well. In the base and future projections, however, only the grants other than those intended for meeting revenue deficits have been adopted.

Non-development Revenue Expenditure

12. *Revenue Collecting Departments.*—It was decided that once the base for the current year has been fixed after adding to the actuals for 1973-74 the additional burdens incurred after that year, a 6% growth rate for projection for the next five years would be reasonable.

13. *Civil Administration.*—The base for expenditure on Civil Administration has been fixed after adding to the actuals for the year 1973-74 the additional liabilities and commitments of recurring nature including the special dearness allowance and allowing a 6% increase on account of increments, etc. It was agreed that on the enlarged base 6% growth rate would be sufficient to cater for increased burdens in future years. The figure of revised estimate arrived at by the Punjab Finance Secretary was Rs 36.62 crores while the Federal Government's representative considered that it should not exceed Rs 34.43 crores. The difference of Rs 2.19 crores in the two figures is due to the fact that the Punjab Secretary assessed the effect of special increases during 1974-75 under General

*See pages 127—135.

†See pages 136—144.

Administration, Police, Administration of Justice and Miscellaneous Departments to be Rs 5.61 crores while the Federal representative worked out this effect to be Rs 3.42 crores. The other agreed increases are as under :—

Actuals for 1973-74	..	..	..	23.96
Add : (a) 6% normal increase on account of increments	..	..	..	1.44
(b) Special dearness allowance	..	..	..	3.74
(c) Increase in ration allowance	..	..	..	1.87

14. A word here about the development strategy. The completed schemes which have been transferred from the development to non-development side place increasing burden on the Federal and Provincial Governments on account of their maintenance cost. Most of the expenditure, according to the definition laid down by the Planning Commission, is non-productive. While the gross national product has grown at an average rate of 3.3% during the period 1969-70 to 1974-75, expenditure on construction activity has been increasing abnormally and was 15.7% in 1972-73, 10.8% during 1973-74 and 12% during 1974-75. Thus, the revenues instead of growing have declined from year to year. This argument applies with equal force to social and beneficent departments.

15. *Development Departments.*—The Provincial representatives were of the view that irrigation working expenses should be allowed a growth rate of at least 15% irrespective of the growth in gross receipts. As stated earlier, Federal Government's representative felt that the projection of irrigation receipts should be on a net basis, with a nil base and without any growth rate, thereby assuming that the working expenses would be met from the gross receipts and would not be subsidized by general revenues.

16. As regards expenditure on Civil Works, agreement was reached with the Provincial Governments, excepting Punjab, on assessment of the revised estimates for 1974-75 and the base for projection, which were worked out after adding 15% growth on the actuals of 1973-74 and the additional burden on account of special dearness allowance. The Punjab Government claimed that the revised estimates for the current year worked out to Rs 17.47 crores compared to actuals of Rs 10.26 crores in 1973-74 and budget estimate of Rs. 12 crores for the current year. The element of special dearness allowance in the revised estimates was Rs 19 lakhs only. The increase excluding this item amounted to about 65% compared to actuals of 1973-74. The Provincial Finance Secretary stated that since November, 1974, there was 175% increase in scheduled rates. Federal Government's representative stated the increase in the premium over scheduled rates was known to the Provincial Government when they had submitted their own revised estimates of Rs 12.85 crores barely two weeks earlier and that only 15% increase had been allowed to other provinces besides the special dearness allowance. He was of the view that applying the same formula as adopted in the case of other provinces, the base for the next year should not exceed Rs. 12.67 crores.

17. *Education.*—Agreement was reached between all the Provinces generally on assessment of revised estimates for the current year and the base for projection. It was also decided that after the base for projection had been fixed taking into account the actuals for 1973-74 and special dearness allowance, a 15% growth rate for future projection would be quite reasonable. Subsequently, the representative of the Government of Sind stated that he had received instructions from the Chief Minister for increasing the agreed revised estimates of Rs. 33 crores by Rs. 1 crore to cater for opening of three new universities. It was

pointed out to him that since the universities would not be established in the current year and a compound growth of 15% had been allowed on the agreed base of Rs 33 crores, which would mean an increase of Rs 4.95 crores in the next year alone and of Rs 90.88 crores over the next five years period, it should be possible to cover the additional expenditure of Rs 1 crore per annum whenever the new universities were actually established. Finance Secretary NWFP stated that the base arrived at for NWFP did not include a grant of Rs 18 lakhs given by the Federal Education Ministry directly to Gomal University and that if this direct grant was discontinued by the Federal Education Ministry, the expenditure would have to be taken into account in projecting the Provincial expenditure.

18. *Other Beneficent Departments.*—It was decided that 15% growth rate applicable to other development departments would be reasonable in this case as well. There was however a difference of opinion with regard to the revised estimates and the base for projection. While the Federal Government's representative assessed the revised estimates at Rs 27.19 crores, the Punjab Finance Secretary pressed for the figure of Rs 30.19 crores. The difference was under Health (Rs 11.70 crores against Provincial estimate of Rs 14.50 crores) and Industries (Rs 1.50 crores and Rs 1.70 crores, respectively). Other agreed estimates are as under :—

	(Rs in crores)			
Scientific Departments	0.03
Public Health	1.10
Agriculture	9.12
Fisheries	0.16
Veterinary	2.60
Cooperation	0.98

19. The estimate of Rs 14.50 crores pressed by the Punjab Government under Health includes a provision of Rs 2.50 crores for the staff of Malaria Eradication Department. Federal Government's representative pointed out that this expenditure had not been included by other Provincial Governments in their projections. Moreover, this expenditure had traditionally been part of the development programme and should not be treated as non-development expenditure now. He added that even if the Malaria Eradication staff were treated as regular staff of the Provincial Government the entire cost of this establishment could be transferred to the development side. The difference of Rs 20 lakhs in respect of 'Industries' was due mainly to provision for raw material to small industrial units. The Federal Government's representative was of the view that since a corresponding increase was not reflected in the receipts of the Industries Department as a result of this input, there was no justification for increasing expenditure alone.

20. There was no difference of opinion in the assessment of revised estimates and the base pertaining to expenditure of other beneficent departments of the provinces of Sind, NWF and Baluchistan. In a subsequent meeting, however, Sind Government's representative stated that he had instructions from the

Chief Minister to request that the following amounts be added to the projection base pertaining to that Government :—

	(Rs in crores)
1. Opening of new Medical Colleges	1.15
2. Staff of Malaric Eradication Department	0.33
3. Provision for agricultural mechanization	2.00
4. Road Transport Corporation (RTC) losses	6.00 to 7.00
5. Additional expenditure on house rent	2.00
Total	<u>11.48 to 12.48</u>

Regarding RTC losses, Federal Government's representative stated that the Working Group could not proceed on the basis that the RTC would continue to incur heavy losses on a long term basis. The question of inclusion of the amount of Rs 6 to 7 crores on this account, therefore, did not arise. As regards the expenditure in respect of Malaria Eradication Programme, it was viewed that this should continue to be treated as part of the development expenditure. The remaining items of expenditure were not to be incurred in the current year and should be deemed to be covered by 15% compound growth rate adopted for the purpose of projection of expenditure in the next five years. Finance Secretary, NWFP, stated that if it was ultimately decided to include the expenditure in respect of Malaria Eradication in the non-development budget, an increase of Rs 46 lakhs would be needed in the base for "other beneficent departments" of that Government. Similarly, if a direct Federal grant of Rs 25 lakhs to Khyber Medical College was discontinued or was routed through the Provincial Government, instead of being paid direct to the Medical College, it would be necessary to include this expenditure also in the projection. Since the projection was being made on the basis of *status quo*, the inclusion of these items was not considered necessary.

21. **Debt Services.**—The projections of recoveries on account of Federal loans for the next five years as prepared by the Finance Division were accepted and included in Annexes III and IV. These projections are based on the assumption that there would be a 25% increase each year in the quantum of loans to the Provinces. Under other interest charges, the projections given by the Provincial Governments were adopted. The appropriation for reduction or avoidance of debt has not been included in these projections as this is a transfer item and expenditure on the revenue side is set off by receipt on the capital side.

22. Agreement was also reached on the assessment of revised estimates, the base and the following rate of growth for other items of expenditure :—

Relief and Privy Purses	Nil
Pensions	3%
Stationery	5%
Incidentals on wheat	5%
Contribution to Sugarcane Fund	5%
Other expenditure	6%

in regard to other expenditure of the nature of contribution by the Provincial Governments, it was decided to apply a growth rate of 5% in respect of Punjab, 6% in the case of Sind, 3% for NWFP and nil for Baluchistan. The projection of incidentals on wheat distribution at 5% rate of growth allows for population increase at 3% and income elasticity at 2%.

23. To sum up, the summary position of the projection for the Provinces increase at 3% and income elasticity at 2%.

(Rs in crores)

	Revenue Receipts	Non-Development Revenue Expenditure	Deficit
I. According to Federal Government's representative :			
Punjab	572.25	1586.75	1014.50
Sind	315.81	706.14	390.33
N.W.F.P.	89.99	429.51	339.52
Baluchistan	160.66	261.95	101.29
Total	1138.71	2984.35	1845.64
II. According to Provincial Governments' representatives :			
Punjab	701.51	1936.74	1235.23
Sind	320.79	787.45	466.66
N.W.F.P.	95.14	450.97	355.83
Baluchistan	161.21	276.02	114.81
Total	1278.65	3451.18	2172.53

FEDERAL GOVERNMENT'S PROJECTIONS

24. The estimates of the Federal Government, which were circulated in the meeting of the Working Group held on 5th March, 1975, were considered in the third meeting held on 10th March, 1975, which was attended by the representatives of the Federal, Punjab and NWFP Governments. Sind Government sent its views in writing (Annex V)*. Baluchistan's representative could not attend due to non-availability of air flight on that day.

Revenue Receipts

25. *Customs.*—Commenting on Customs receipts the representative of the Punjab Government remarked that increase in actuals for 1973-74 over actuals for 1972-73 was about 62%. In the light of this increase, the annual growth rate of 10% applied by the Federal Government in the case of Customs was on the low side and should be increased to at least 15%. On behalf of the Federal Government it was explained that the CBR had advised that in case of Customs duties the actuals of the previous five years 1970-71 to 1974-75 and

*See pages 145-146.

their rates of growth could not be made the basis for projections for the period 1975-80 for obvious reasons. This was the period when major events affected our economy as follows :—

1. Separation of East Pakistan.
2. Devaluation of Pak Rupee by 131%.
3. Wholesale charges in import tariff.
4. Levy of high rates of export duty.
5. Floods of 1973.
6. Recession in international market when prices of cotton crashed from 78% to 32% per lb.
7. Levy of 25% regulatory duty on such items as cars, man-made fibres, yarn, spare parts of vehicles, etc.

The export duties are levied to regulate the country's international trade. These fluctuate according to demand for these commodities in the international market and as such do not provide a dependable source of revenue as our experience in the past shows, specially in respect of duties on cotton and cotton manufactures which have been abolished. The upheaval resulted in raising the Customs duties to unprecedented level. Therefore these cannot be adopted as the basis for future growth. The growth in import duties is entirely dependent on escalation in cost of dutiable imports. The majority of items of import were non-dutiable commodities like Wheat, Fertilizer, Pesticides, etc. and form a large percentage of the overall imports. Dutiable items in percentage terms have declined. The Planning Division's estimates in the working paper for the development perspective 1975-80 were based on certain assumptions of their own. However, CBK has agreed that in case these assumptions are realized in next five years the compound rate of growth, i.e., 13.6% in respect of import duties and 7.2% for export duties may be adopted. The Working Group, however, decided to adopt higher figure of 15% as growth rate in case of imports and 10% in case of export duties.

26. *Excise Duties.*—The growth rate of 9% proposed by Finance Division was considered to be reasonable and was agreed to.

27. *Taxes on Income.*—Finance Division proposed a growth rate of 2.5% which was accepted.

28. *Sales Tax.*—The Provincial representatives suggested that the growth rate of 8% proposed by Finance Division should be enhanced to 15%. It was pointed out by Federal Government's representative that sales tax was leviable on imported goods and excisable goods manufactured locally. The Provincial Governments suggested a growth rate of 12% being applied in this case, which was agreed to.

29. *Other Taxes & Workers' Welfare Tax.*—Growth rate of 5% was agreed to in the case of these taxes.

30. *Surcharge on Natural Gas.*—5% growth rate was accepted in this case.

31. *Surcharge on Petroleum Products.*—It was explained by the Finance Division that estimates show only gross receipts from Surcharge on Petroleum Products and payment of subsidy to refineries had yet to be included. It was agreed that net receipts, *i.e.*, gross receipts minus payments to refineries, should be shown. There would then be a minus figure. The Provincial Governments were of the view that payments to oil refineries were of the nature of subsidies in which case no projection was being made for next year. Accordingly, receipts on account of Surcharge on Petroleum Products have been shown in reduction of subsidies listed separately.

32. *Surcharge on Fertilizer.*—It was pointed out by the Federal Government's representative that the supply of fertilizer involves subsidy. Hence receipts accruing from surcharge on fertilizer have been shown in the list of subsidies.

33. *Interest Receipts.*—The Provincial representatives were of the view that 15% growth rate should be applied in the case of return on investment, return on nationalized banks and other institutions, and on interest receipts accruing to Federal Government from the Provinces, Autonomous Bodies, etc. This was not acceptable to the Finance Division as they did not consider it feasible. The Group has applied 15% growth in respect of Interest Receipts and 10% growth in respect of return on investment while projections regarding return from nationalized banks, etc, are based on actual calculations.

34. *Opium.*—It was agreed that receipts under this head should be kept at constant level.

35. *Post Office Department.*—According to the latest estimate the Post Office Department has projected minus figures of Rs 4.13 crores in the current year and Rs 5.5 crores in the next year. This is mainly due to grant of special dearness allowance to staff, increased cost of postal stamps/stationery, higher payments of sea freight, introduction of metric system, provision of uniforms, etc. The Provincial Governments considered that since Post Office Department was a commercial department, the minus receipts shown by the Federal Government should not be taken into consideration for future projections. Efforts should be made to wipe out this deficit and the Department should run its operations strictly on commercial lines. Accordingly, projection for this Department has been adopted as nil.

36. In other cases the following growth rates were agreed to :—

T & T Department	..	..	..	..	10%
Civil Administration	..	..	..	..	17%
Currency and Mint	..	..	..	..	7.5%
Civil Works	..	..	..	..	1%
Defence Receipts	..	..	..	..	5%
Miscellaneous Receipts	..	..	..	..	5%

37. *Trading Receipts.*—Since these receipts related to state trading operations, it was agreed that these receipts be omitted from the present exercise and should be listed alongwith the subsidies for decision by the National Finance Commission regarding their projections over next five years.

38. Projections in respect of Revenue Receipts of the Federal Government worked out on the basis of the above discussions indicate an availability of the order of Rs. 8693 crores during the period 1975-80 (Annex VI)*. It was not possible to arrive at an agreed basis on annual growth rate about export duties. In case the viewpoint of the Provinces in this behalf is agreed to there will be an improvement of Rs 39 crores over the five year period and will raise the total of Revenue Receipts to Rs 8732 crores.

Non-development Revenue Expenditure (Annex VII)†

39. In order to arrive at the base for future projections the actuals for 1972-73 and 1973-74 and revised estimates for 1974-75 under various heads of account were considered at length.

40. The methodology adopted in formulating the projections has been that actuals for 1973-74 have been taken as the starting point. Next, revised estimates for 1974-75 have been scrutinized and items of unusual/non-recurring nature have been excluded. After taking into account new factors or items on which expenditure is likely to continue hereafter the estimates have been adopted as the base to work out future projections and in doing so a growth rate of 6% adopted in respect of Revenue Collecting Departments, General Administration, Audit, Police, Frontier Regions, Other Administrative Departments, Foreign Affairs, Currency and Mint, Pensions, Stationery & Printing, Civil Works, Defence Services and Miscellaneous Expenditure while a growth rate of 15% has been applied in respect of Scientific Departments, Education, Medical and Public Health, Agriculture, Industries, Fisheries, Aviation and Investment Promotion and Supplies Department. The projection for Debt Services is based on the estimated payments in the respective years as worked out by the Economic Affairs Division.

41. *Defence.*—On the expenditure side the most important item is defence expenditure which has grown at the rate of 20% per annum during the period from 1969-70 to 1974-75. For the period 1975-80, the Planning Division has projected it at the rate of 5% (cf. Working Paper for the Development Perspective 1975-80). It will be very unrealistic to apply any rate of growth which is less than 15%. At this growth rate the expenditure during 1975-80 is estimated at Rs 4760 crores whereas if only 6% growth rate is adopted as done in the projections by the Working Group the estimates come to Rs 3668 crores.

42. The projections made on the basis of the position stated above are given in Annexes VI* & VII†. Precisely, Federal Government's resources work out as follows :—

	(Rs in crores)
Gross Revenue Receipts	8693
Non-development Revenue Expenditure	7561
Revenue Surplus	1132

43. Federal Finance Division has however pointed out that their estimates do not include any provision on account of (i) existing subsidies and (ii) likely expenditure on pay increases in the future. The latter alone if projected roughly at the rate of Rs 100 crores annually would total up to Rs 500 crores. This would reduce the estimated revenue surplus to Rs 632 crores. Similarly, no provision has been included in respect of Asian Games, Defence Complex which have been treated as part of development outlay.

*See pages 147-148.

†See page 149.

44. As already stated above, there has been difference of opinion among the representatives of the Federal and Provincial Governments with regard to both Federal and Provincial estimates and no unanimity could be achieved. As such, there are two different bases of projection as per summary position given hereunder :—

	According to Federal Government's representative	According to Provincial Government's representatives
(Rs in crores)		
1. Federal Government :		
Gross Revenue Receipts	8693	8732
Non-development Revenue Expenditure	7561	7561
Revenue Surplus	1132	1171
2. Provincial Governments :		
Gross Revenue	1139	1279
Non-development Revenue Expenditure	2984	3451
Revenue Deficit (—)	—1845	—2172
Total Deficit	—713	—1001

45. The current subsidies bill of the Federal Government, according to revised estimates for 1974-75, amounts to a net figure of Rs 348.26 crores (Annex VIII). This expenditure in the year 1975-76 is likely to rise further. However, taking the revised estimate 1974-75 as the base, the total expenditure on subsidies for the five year period will amount to Rs 1741 crores. This will not only eliminate the revenue surplus of the Federal Government but will turn the net position into a deficit of Rs 609 crores according to Federal Government's estimates and of Rs 570 crores according to the estimates of the Provincial Governments. This position needs to be taken note of.

46. The Working Group further feels that the expenditure on debt services will rise steeply specially when seen in the background that we have been borrowing heavily from OPEC countries like Iran, Abu Dhabi, etc. and also securing commercial loans for purchase of wheat on short term basis which shall have to be paid back during the next plan period. It is very difficult for the Working Group to quantify in precise terms likely further deterioration in resources on account of the said items. Eventually, what may be left to be shared between the Federation and the Provinces may be the all-round deficit alone.

Divisible Pool

47. According to its present terms of reference, the National Finance Commission is required to recommend Provincial shares out of (i) Export duty on cotton, (ii) Taxes on income, and (iii) Tax on sales and purchases. On the basis

of the projections by the Working Group, divisible pool attributable to these tax heads aggregates Rs. 1647 crores (Annex IX). Whatever may be the formula for distribution of this amount between the Federation and the provinces it will only seek to transfer the existing resources. While the share to be allocated to the provinces by the Commission will reduce the Provincial deficits to that extent it will correspondingly decrease the surplus of the Federal Government. This situation underlines the vital need for corrective measures to reduce consumption subsidies and for concerted efforts to augment the existing resources. Otherwise the growing magnitude of expenditure will soon outstrip the growth in resources.

General Observations

48. The traditional source of financing the non-development expenditure of the Provincial Governments on civil administration, education and other welfare activities has been the receipts from land revenue, abiana and provincial excise. However, these have ceased to play any significant role in fiscal management by the Provinces. This is due to the fact that while, on the one hand, growth in these receipts has not been substantial, on the other, there has been fast growth in non-development expenditure due mainly to implementation of socio-economic reforms introduced by the People's Government. The projection of these revenues for the next five years brings to surface the urgent need for rationalization.

49. In the case of land revenue, for instance, the introduction of flat rates has removed the much needed elasticity in receipts. Moreover, the rates of land revenue have become out of date because they are based on out-dated value of land. Similarly, under irrigation the Provincial Governments are incurring heavy losses. At the rates of growth of irrigation receipts and working expenses agreed to by the Provincial Governments, the cumulative losses during the next five years would be Rs 225.14 crores. This raises a fundamental issue whether this huge subsidy of Rs 225 crores would be justified, because it would not only claim resources which could otherwise be used for welfare activities but might also lead to inflationary financing. Seen from another angle, supply of water for irrigation is a service which certainly puts the farmers of the irrigated land in an advantageous position compared with the farmers who have to depend partially or wholly on other sources of water and have to pay much higher price. There is, therefore, every reason for making abiana rates flexible so that they at least cover the working expenses of irrigation system.

50. The argument often used against rationalization of land revenue and irrigation rates is that the input costs of agricultural production should be kept low so as to keep food prices under check and ultimately to control inflation. This is not a valid argument because Government has also been gradually increasing the procurement price of wheat. It has been raised from Rs 17 per maund in 1972 to Rs 37 per maund for the 1974 crop. Besides the hidden subsidies through very low land revenue rates and outdated abiana rates, there are other explicit subsidies on inputs like fertilizer (Rs 32.49 crores), pesticides (Rs 11.28 crores), tubewells (Rs 1.63 crores) which are claiming a sizeable portion of Federal and Provincial resources. The efficacy of these subsidies as short-term measures for controlling inflation may be beyond question but seen in terms of relatively inelastic revenue from land, subsidized abiana rates, subsidies on food distribution, etc. (Rs 339 crores) and agricultural inputs (Rs 45.40 crores) the overall burden is rather unbearable. To continue this arrangement in the next five years would involve heavy cost and would give rise to deficit financing to meet the twin objective of providing resources for non-development expenditure and maintaining reasonable growth in development expenditure. This in turn will push inflation to menacing proportions. The cycle would defeat the ultimate objective of controlling inflation.

51. Rationalization of price-wage structure is also preferable from the point of view of equity and economic welfare on a long term basis. The subsidies and lower than economic prices of commodities and wages benefit mostly the employers of urban labour. Deficit financing necessitated by heavy subsidies is retrogressive on the other hand, because it affects all without exception.

52. Another factor responsible for heavy deficits in the next five years that needs to be highlighted is the enormous increase in the base of expenditure on civil administration, education, civil works, and other beneficent departments. The following figures are pertinent in this respect :—

(Rs in crores)

	1971-72 Actuals	1974-75 Revised	1979-80 Projection
Civil Administration ..	29.78	85.73	109.37
Education	47.79	120.00	240.05
Civil Works	7.56	31.98	64.33
Other Beneficent Departments..	21.85	49.27	99.11

53. To conclude the argument, the projections make it clear that, unless there is massive effort for resource mobilization including planned elimination of subsidies, the deficit financing needed to meet the projected expenditure might be so heavy and inflationary that the benefits envisaged for the people might largely be eroded.

SUMMARY OF PROVINCIAL PROJECTIONS ASSESSED BY FEDERAL GOVERNMENT'S REPRESENTATIVE

(Rs in crores)

				1973-74 (Actuals)	1974-75 (Revised)	1974-75 (Base)	1975-76	1976-77	1977-78	1978-79	1979-80	Total 1975-80
Punjab												
Revenue Receipts	..	..	..	93.04	108.58	91.16	98.02	105.51	113.70	122.62	132.40	572.25
Non-development Revenue	Expenditure	met	from	125.53	203.43	203.65	233.75	268.88	310.14	358.64	415.34	1586.75
Revenue Surplus/Deficit(—)	..	..	..	-32.49	-94.85	-112.49	-135.73	-163.37	-196.44	-236.02	-282.94	-1014.50
Sind												
Revenue Receipts	..	..	..	51.31	58.52	49.94	53.84	58.08	62.73	67.80	73.36	315.81
Non-development Revenue	Expenditure	met	from	58.80	97.58	94.29	105.99	120.84	138.26	158.65	182.40	706.14
Revenue Surplus/Deficit(—)	..	..	..	-7.49	-39.06	-44.35	-52.15	-62.76	-75.53	-90.85	-109.04	-390.33
NWFP												
Revenue Receipts	..	..	..	22.13	33.41	13.69	14.88	16.23	17.76	19.53	21.59	89.99
Non-development Revenue	Expenditure	met	from	23.37	55.98	57.87	65.38	74.06	84.17	96.01	109.89	429.51
Revenue Surplus/Deficit(—)	..	..	..	-1.24	-22.57	-44.18	-50.50	-57.83	-66.41	-76.48	-88.30	-339.52
Baluchistan												
Revenue Receipts	..	..	..	22.79	25.88	27.79	29.14	30.56	32.05	33.63	35.28	160.66
Non-development Revenue	Expenditure	met	from	17.20	34.11	34.19	39.08	44.79	51.48	59.36	67.24	261.95
Revenue Surplus/Deficit(—)	..	..	..	5.59	-8.23	-6.40	-9.94	-14.23	-19.43	-25.73	-31.96	-101.29
Total Provinces												
Revenue Receipts	..	..	..	189.27	226.39	182.58	195.88	210.38	226.24	243.58	262.63	1138.71
Non-development Revenue	Expenditure	met	from	224.90	391.10	390.00	444.20	508.57	584.05	672.66	774.87	2984.35
Revenue Surplus/Deficit(—)	..	..	..	-35.63	-164.71	-207.42	-248.32	-298.19	-357.81	-429.08	-512.24	-1845.64

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF PUNJAB

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas ..	0.38	1.12	1.43	5%	1.50	1.58	1.66	1.74	1.83	8.31
Provincial Tax Receipts	58.15	60.23	60.23	—	65.26	70.78	76.83	83.46	90.75	387.08
Land Revenue	12.08	12.70	12.70	5%	13.33	14.00	14.70	15.43	16.20	73.66
Agriculture Income Tax	0.64	0.57	0.57	Nil	0.57	0.57	0.57	0.57	0.57	2.85
Provincial Excise	4.48	4.75	4.75	5%	4.99	5.24	5.50	5.77	6.06	27.56
Stamps	10.17	9.35	9.35	7%	10.00	10.70	11.45	12.25	13.11	57.51
Registration	0.74	0.80	0.80	6%	0.85	0.90	0.95	1.01	1.07	4.78
Motor Vehicles Tax	7.12	7.70	7.70	7%	8.24	8.82	9.44	10.10	10.81	47.41
Other Taxes and Duties	22.92	24.36	24.36	12%	27.28	30.55	34.22	38.33	42.93	173.31
Non-Tax Receipts	34.51	47.23	29.50		31.26	33.15	35.21	37.42	39.82	176.86
Irrigation (Net)	5.77	-9.14	..	..	..	..	..	..	..	..
Forests	5.20	5.72	5.72	10%	6.29	6.92	7.61	8.37	9.21	38.40
Debt Services	1.36	2.90	1.40	15%	1.61	1.85	2.13	2.45	2.82	10.86
Receipts of Administrative Departments	4.58	4.50	4.50	5%	4.72	4.96	5.21	5.47	5.74	25.10
Receipts of Beneficent Departments	10.77	9.01	9.01	5%	9.46	9.93	10.43	10.95	11.50	52.27
Grants-in-aid from the Federal Government	1.89	17.53	2.05	..	2.05	2.05	2.05	2.05	2.05	10.25
Miscellaneous Receipts	4.94	16.71	6.82		7.13	7.44	7.78	8.13	8.50	38.98
Superannuation Allowances and Pensions	(1.14)	(0.71)	(0.71)	(Nil)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(3.55)
Stationery	(1.26)	(1.56)	(1.56)	(5%)	(1.64)	(1.72)	(1.81)	(1.90)	(1.99)	(9.06)
Other Heads	(2.54)	(14.44)	(4.55)	(5%)	(4.78)	(5.01)	(5.26)	(5.52)	(5.80)	(26.37)
(a) State Trading Profits .. ..	..	(11.52)	(3.71)	(5%)	(3.90)	(4.09)	(4.29)	(4.50)	(4.73)	(21.51)
(b) Other Receipts .. ..	..	(2.92)	(0.84)	(5%)	(0.88)	(0.92)	(0.97)	(1.02)	(1.07)	(4.86)
Total—Revenue Receipts	93.04	108.58	91.16		98.02	105.51	113.70	122.62	132.40	572.25

PROJECTION OF NON-DEVELOPMENT EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF PUNJAB

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	7.14	9.10	9.05	6%	9.59	10.17	10.78	11.43	12.12	54.09
2. Civil Administration	23.96	34.43	34.32	6%	36.38	38.56	40.87	43.32	45.92	205.05
3. Development Departments	72.75	110.04	109.86	15%	126.34	145.29	167.08	192.14	220.96	851.81
I. Civil Works and Miscellaneous Public Improvements	10.26	12.85	12.67	15%	14.57	16.76	19.27	22.16	25.49	98.25
(i) Irrigation .. ..	..	..	..	..	..	..	..	..	..	..
(ii) Civil Works	(10.26)	(12.85)	(12.67)	15%	(14.57)	(16.76)	(19.27)	(22.16)	(25.49)	(98.25)
II. Education	43.67	70.00	70.00	15%	80.50	92.57	106.46	122.43	140.79	542.75
III. Other Beneficent Departments	18.82	27.19	27.19	15%	31.27	35.96	41.35	47.55	54.68	210.81
4. Debt Services	8.36	17.96	17.96	..	27.52	39.41	54.34	72.99	95.81	290.07
Central Loans	7.76	13.81	13.81	..	23.18	34.96	49.68	68.08	90.68	266.58
Other Interest .. ..	..	4.15	4.15	..	4.34	4.45	4.66	4.91	5.13	23.49
Appropriation for Reduction or Avoidance of Debt	0.60	..	..	..	..	..	..	..	..	..
5. Other Expenditure	13.32	31.90	32.46	..	33.92	34.45	37.07	38.76	40.53	185.73
(a) Relief and Privy Purses ..	1.77	1.09	0.21	Nil	0.21	0.21	0.21	0.21	0.21	1.05
(b) Superannuation Allowances and Pensions	6.36	7.09	7.09	3%	7.30	7.52	7.75	7.98	8.22	38.77
(c) Stationery	1.50	2.00	2.00	5%	2.10	2.20	2.31	2.43	2.55	11.59
(d) Miscellaneous Expenditure:	3.53	21.32	22.96	5%	24.10	25.30	26.57	27.90	29.30	133.17
(1) Wheat Subsidy	(3.53)	(14.20)	(20.06)	(5%)	(21.06)	(22.11)	(23.22)	(24.38)	(25.60)	(116.37)
(2) Other Expenditure :										
(i) Contribution to Sugar Cess Fund		(2.90)	(2.90)	(5%)	(3.04)	(3.19)	(3.35)	(3.52)	(3.70)	(16.80)
(ii) Other Contribution ..	(4.22)	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)
(e) Civil Defence	0.16	0.40	0.20	6%	0.21	0.22	0.23	0.24	0.25	1.15
Total—Revenue Expenditure ..	125.53	203.42	203.65		233.75	268.88	310.14	358.64	415.34	1586.75

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF SIND

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75	Assessed rate of grow.h	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas ..	0.42	1.24	1.52	5%	1.60	1.68	1.76	1.85	1.94	8.83
Provincial Tax Receipts	32.40	34.54	34.54		37.53	40.81	44.41	48.36	52.70	223.81
Land Revenue	6.10	6.10	6.10	5%	6.41	6.73	7.07	7.42	7.79	35.42
Agricultural Income Tax .. ..	..	0.06	0.06	..	0.06	0.06	0.06	0.06	0.06	0.30
Provincial Excise	3.93	3.93	3.93	5%	4.13	4.34	4.56	4.79	5.03	22.85
Stamps	5.27	4.30	4.30	7%	4.60	4.92	5.26	5.63	6.02	26.43
Registration	0.53	0.45	0.45	6%	0.48	0.51	0.54	0.57	0.60	2.70
Motor Vehicles Tax	3.97	4.25	4.25	7%	4.55	4.87	5.21	5.57	5.96	26.16
Other Taxes and duties	12.60	15.45	15.45	12%	17.30	19.38	21.71	24.32	27.24	109.95
Non-Tax Receipts	18.49	22.74	13.88	-	14.71	15.59	16.56	17.59	18.72	83.17
Opium .. ..	..	..	..	..	..	..	..	..	..	..
Irrigation	0.08	-5.49	..	..	..	..	..	..	..	..
Forests	1.47	1.55	1.55	5%	1.63	1.71	1.80	1.89	1.98	9.01
Debt Services	1.05	1.66	1.66	15%	1.91	2.20	2.53	2.91	3.35	12.90
Receipts of Administrative Departments	2.80	2.90	2.90	5%	3.05	3.20	3.36	3.53	3.71	16.85
Receipts of Beneficent Departments	6.10	3.50	3.50	5%	3.68	3.86	4.05	4.25	4.46	20.30
Grants-in-aid from the Federal Govern- ment	0.35	10.50	0.84	..	.84	.84	.84	.84	.84	4.20
Miscellaneous Receipts	6.64	8.12	3.43	..	3.60	3.78	3.98	4.17	4.38	19.91
Superannuation Allowances and Pen- sions	(0.04)	(0.04)	(0.04)	..	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.20)
Stationery	(0.04)	(0.04)	(0.04)	5%	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)	(0.23)
Other Heads	(6.56)	(8.04)	(3.35)	..	(3.52)	(3.70)	(3.89)	(4.08)	(4.29)	(19.48)
(a) State Trading Profits	(..)	(6.79)	(2.10)	5%	(2.21)	(2.32)	(2.44)	(2.56)	(2.69)	(12.22)
(b) Other Receipts	(..)	(1.25)	(1.25)	5%	(1.31)	(1.38)	(1.45)	(1.52)	(1.60)	(7.26)
Total—Revenue Receipts	51.31	58.52	49.94		53.84	58.58	62.73	67.80	73.36	315.81

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF SIND

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed Rate of Growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments	2.58	3.21	3.21	6%	3.40	3.60	3.82	4.05	4.29	19.16
2. Civil Administration	14.81	21.00	21.00	6%	22.26	23.60	25.02	26.52	28.11	125.51
3. Development Departments	34.06	47.34	47.34		54.44	62.60	71.99	82.80	95.22	367.05
(I) Civil Works and Miscellaneous Public Improvements	4.21	5.46	5.46	..	6.28	7.22	8.30	9.55	10.98	42.33
(i) Irrigation	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)
(ii) Civil Works	(4.21)	(5.46)	(5.46)	(15%)	(6.28)	(7.22)	(8.30)	(9.55)	(10.98)	(42.33)
(II) Education	22.88	33.00	33.00	15%	37.95	43.64	50.19	57.72	66.38	255.88
(III) Other Beneficent Departments	6.97	8.88	8.88	15%	10.21	11.74	13.50	15.53	17.06	68.04
4. Debt Services	3.52	9.44	9.44	..	11.97	16.46	22.15	29.26	37.98	117.82
Central Loans	3.52	5.56	5.56	..	8.94	13.17	18.46	25.07	33.19	98.83
Other Interest .. ..	..	3.88	3.88	..	3.03	3.29	3.69	4.19	4.79	18.99
Appropriation for Reduction or Avoidance of Debt .. ..	..	..	..	..	..	..	..	..	..	..
5. Other Expenditure	3.83	16.59	13.30	..	13.92	14.58	15.28	16.02	16.80	76.60
(a) Relief and Privy Purses	0.49	0.10	0.10	..	0.10	0.10	0.10	0.10	0.10	0.50
(b) Superannuation Allowances and Pensions	1.69	2.00	2.00	3%	2.06	2.12	2.18	2.25	2.32	10.93
(c) Stationery	1.09	1.21	1.21	5%	1.27	1.33	1.40	1.47	1.54	7.01
(d) Miscellaneous Expenditure	0.50	13.21	9.92	..	10.42	10.95	11.51	12.10	12.73	57.71
(1) Wheat Subsidy .. ..	..	(6.70)	(7.89)	5%	(8.28)	(8.69)	(9.12)	(9.58)	(10.07)	(45.74)
(2) Other Expenditure :										
(i) Contribution to Sugar Cess Fund .. ..	..	(0.85)	(0.85)	5%	(0.89)	(0.93)	(0.98)	(1.03)	(1.08)	(4.91)
(ii) Other Contribution .. ..	..	(5.66)*	(1.18)	6%	(1.25)	(1.33)	(1.41)	(1.49)	(1.58)	(7.06)
(e) Civil Defence	0.06	0.07	0.07	7%	0.07	0.08	0.09	0.10	0.11	0.45
Total—Revenue Expenditure ..	58.80	97.58	94.29		105.99	120.84	138.26	158.65	182.40	706.14

*Includes a sum of Rs 1.33 crores to Local Bodies for Special Dearness Allowance.

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF NWFP

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas .. ..	..	..	..	..	..	..	..	..	..	..
Provincial Tax Receipts	5.50	5.19	5.07	—	5.44	5.84	6.26	6.73	7.27	31.54
Land Revenue	0.58	0.70	0.58	3%	0.60	0.62	0.64	0.66	0.68	3.20
Agricultural Income Tax .. ..	..	0.01	0.01	Nil	0.01	0.01	0.01	0.01	0.01	0.05
Provincial Excise	0.38	0.42	0.42	5%	0.44	0.46	0.48	0.50	0.53	2.41
Stamps	2.28	0.68	0.68	7%	0.73	0.78	0.83	0.89	0.95	4.18
Registration	0.03	0.03	0.03	6%	0.03	0.03	0.03	0.04	0.04	0.17
Motor Vehicles Tax	0.68	1.75	1.75	7%	1.87	2.00	2.14	2.29	2.49	10.79
Other Taxes and Duties	1.55	1.60	1.60	10%	1.76	1.94	2.13	2.34	2.57	10.74
Non-Tax Receipts	16.63	28.22	8.62		9.44	10.39	11.50	12.80	14.32	58.45
Opium	0.01	..	..	..	..	..	..	..	..	..
Irrigation	-0.24	-1.80	..	..	..	..	..	..	..	..
Forests	3.00	3.00	3.00	20%	3.60	4.32	5.18	6.22	7.46	26.78
Debt Services	0.25	0.27	0.27	15%	0.31	0.36	0.41	0.47	0.54	2.09
Receipts of Administrative Departments ..	0.83	0.90	0.90	5%	0.95	1.00	1.05	1.10	1.16	5.26
Receipts of Beneficent Departments	3.13	1.18	1.18	5%	1.24	1.30	1.37	1.44	1.51	6.86
Grants-in-aid from the Federal Government	9.06	20.60	1.91	—	1.91	1.91	1.91	1.91	1.91	9.55
Miscellaneous Receipts	0.59	4.07	1.36	—	1.43	1.50	1.58	1.66	1.74	7.91
Superannuation Allowances and Pensions	(0.02)	(0.02)	(0.02)	3%	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.10)
Stationery	(0.23)	(0.37)	(0.37)	5%	(0.39)	(0.41)	(0.43)	(0.45)	(0.47)	(2.15)
Other Heads:										
(a) State Trading Profits .. ..	..	(2.86)	(0.15)	5%	(0.16)	(0.17)	(0.18)	(0.19)	(0.20)	(0.90)
(b) Other Receipts	(0.34)	(0.82)	(0.82)	5%	(0.86)	(0.90)	(0.95)	(1.00)	(1.05)	(4.76)
Total—Revenue Receipts	22.13	33.41	13.69		14.88	16.23	17.76	19.53	21.59	89.99

PROJECTION OF NON-DEVELOPMENT EXPENDITURE MET FROM REVENUE OF THE GOVERNMENT OF NWFP
(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised Estimates	Projection Base (1974-75)	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	1.60	2.20	2.20	6%	2.33	2.47	2.62	2.78	2.95	13.15
2. Civil Administration	6.26	19.75	16.00	6%	16.96	17.98	19.06	20.20	21.41	95.61
3. Development Departments]	13.98	19.35	19.35	..	22.25	25.59	29.42	33.84	38.92	150.02
I. Civil Works and Miscellaneous Public Improvements	2.30	2.75	2.75	..	3.16	3.63	4.17	4.80	5.52	21.28
(i) Irrigation	(2.30)	(2.75)	(2.75)	15%	(3.16)	(3.63)	(4.17)	(4.80)	(5.52)	(21.28)
(ii) Civil Works ] .. ..	..	..	..	..	..	..	..	..	..	..
II. Education	8.17	11.40	11.40	15%	13.11	15.08	17.34	19.94	22.93	88.40
III. Other Beneficent Departments	3.51	3.20	5.20	15%	5.98	6.88	7.91	9.10	10.47	40.34
4. Debt Services	—	5.70	5.70	..	8.52	11.97	16.25	21.57	28.15	86.46
Central Loans	—	3.47	3.47	..	6.15	9.50	13.69	18.93	25.40	73.67
Other Interest .. ..	..	2.23	2.23	..	2.37	2.47	2.56	2.64	2.75	12.79
Appropriation for Reduction or Avoidance of Debt .. ..	..	..	..	..	..	..	..	..	..	..
5. Other Expenditure	1.53	8.98	14.62	..	15.32	16.05	16.82	17.62	18.46	84.27
(a) Relief and Privy Purses	0.24	0.01	0.01	..	0.01	0.01	0.01	0.01	0.01	0.05
(b) Superannuation Allowances and Pensions	0.97	1.25	1.25	3%	1.29	1.33	1.37	1.41	1.45	6.85
(c) Stationery	0.31	0.33	0.33	5%	0.35	0.37	0.39	0.41	0.43	1.95
(d) Miscellaneous Expenditure .. ..	..	7.38	13.02	..	13.66	14.33	15.04	15.78	16.56	75.37
(1) Wheat Subsidy .. ..	..	(5.60)	(12.10)	5%	(12.71)	(13.35)	(14.02)	(14.72)	(15.46)	(70.26)
(2) Other Expenditure : (i) Contribution to Sugar Cess Fund .. ..	..	(0.47)	(0.47)	5%	(0.49)	(0.51)	(0.54)	(0.57)	(0.60)	(2.71)
(ii) Other Contributions .. ..	..	(1.31)*	(0.45)	3%	(0.46)	(0.47)	(0.48)	0.49)	(0.50)	(2.40)
(e) Civil Defence	0.01	0.01	0.01	..	0.01	0.01	0.01	0.01	0.01	0.05
Total—Revenue Expenditure ..	23.37	55.98	57.87		65.38	74.06	84.12	96.01	109.89	429.51

(*) Includes grant to Local Bodies amounting to Rs 86 lakhs on account of Special Dearness Allowance.

PROJECTION OF REVENUE RECEIPTS OF GOVERNMENT OF BALUCHISTAN

Enclosure VII to Annex III

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	1974-75 (Base)	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty or Natural Gas	4.63	19.28	23.47	5%	24.64	25.87	27.16	28.52	29.95	136.14
Provincial Tax Receipts	1.04	1.10	1.10		1.17	1.24	1.31	1.39	1.47	6.58
Land Revenue	0.28	0.41	0.41	3%	0.42	0.43	0.44	0.45	0.46	2.20
Agricultural Income Tax	..	..	..	..	..	..	..	..	..	..
Provincial Excise	0.19	0.10	0.10	5%	0.11	0.12	0.13	0.14	0.15	0.65
Stamps	0.12	0.12	0.12	7%	0.13	0.14	0.15	0.16	0.17	0.75
Registration	..	0.01	0.01	6%	0.01	0.01	0.01	0.01	0.01	0.05
Motor Vehicles Tax	0.29	0.27	0.27	7%	0.29	0.31	0.33	0.35	0.37	1.65
Other Taxes and duties	0.16	0.19	0.19	10%	0.21	0.23	0.25	0.28	0.31	1.28
Non-Tax Receipts	17.12	5.50	3.22		3.33	3.45	3.58	3.72	3.86	17.94
Opium	..	..	..	..	..	..	..	..	..	..
Irrigation (Net)	-0.42	-1.69	..	..	..	..	..	..	..	..
Forests	0.12	0.13	0.13	5%	0.14	0.15	0.16	0.17	0.18	0.80
Debt Services	0.02	0.03	0.03	15%	0.03	0.04	0.05	0.06	0.07	0.25
Receipts of Administrative Departments	0.50	0.35	0.35	5%	0.37	0.39	0.41	0.43	0.45	2.05
Receipts of Beneficent Departments	0.71	1.23	1.23	5%	1.29	1.35	1.42	1.49	1.56	7.11
Grants-in-aid from the Federal Govt.	15.91	4.69	1.02	..	1.02	1.02	1.02	1.02	1.02	5.10
Miscellaneous Receipts	0.28	0.76	0.46		0.48	0.50	0.52	0.55	0.58	2.63
Superannuation Allowances and Pensions	(..)	(0.01)	(0.01)	..	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)
Stationery	..	..	..	..	..	..	..	..	..	..
Other Heads	(0.28)	(0.75)	(0.45)	5%	(0.47)	(0.49)	(0.51)	(0.54)	(0.57)	(2.58)
(a) State Trading Profits	..	(0.30)	..	..	..	..	..	..	..	..
(b) Other Receipts	(0.28)	(0.45)	(0.45)	5%	(0.47)	(0.49)	(0.51)	(0.54)	(0.57)	(2.58)
Total—Revenue Receipts	22.79	25.88	27.79		29.14	30.56	32.05	33.63	35.28	160.66

PROJECTION OF NON-DEVELOPMENT EXPENDITURE MET FROM REVENUE OF GOVERNMENT OF BALUCHISTAN
(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	0.48	0.67	0.67	6%	0.71	0.75	0.80	0.85	0.90	4.01
2. Civil Administration	4.78	8.36	8.22	6%	8.71	9.23	9.78	10.37	10.99	49.08
3. Development Departments	11.40	16.90	16.90		19.44	22.36	25.71	29.57	32.68	129.76
I. Civil Works and Miscellaneous Public improvements	4.88	6.30	6.30	..	7.25	8.34	9.59	11.03	12.68	48.89
(i) Irrigation .. ..	..	..	..	..	..	..	..	..	..	..
(ii) Civil Works	(4.88)	(6.30)	(6.30)	15%	(7.25)	(8.34)	(9.59)	(11.03)	(12.68)	(48.89)
II. Education	3.33	5.60	5.60	15%	6.44	7.41	8.52	9.80	9.95	42.12
III. Other Beneficent Departments ..	3.19	5.00	5.00	15%	5.75	6.61	7.60	8.74	10.05	38.75
4. Debt Services	0.02	4.33	3.57	..	5.16	7.15	19.64	12.75	16.57	51.27
Central Loans	0.02	2.73	2.73	..	4.32	6.31	8.80	11.91	15.73	47.07
Other Interest .. ..	..	1.60	0.84	..	0.84	0.84	0.84	0.84	0.84	4.20
Appropriation for Reduction or Avoidance of Debt .. ..	..	..	..	..	..	..	..	..	..	..
5. Other Expenditure	0.52	3.85	4.83	..	5.06	5.30	5.55	5.82	6.10	27.83
(a) Relief and Privy Purses	0.17	0.12	0.12	Nil	0.12	0.12	0.12	0.12	0.12	0.60
(b) Superannuation Allowances and Pensions	0.15	0.26	0.26	3%	0.27	0.28	0.29	0.30	0.31	1.45
(c) Stationery	0.03	0.03	0.03	5%	0.03	0.03	0.03	0.03	0.03	0.15
(d) Miscellaneous Expenditure	0.17	3.44	4.42	..	4.64	4.87	5.11	5.37	5.64	25.63
(1) Wheat Subsidy	(A)	(3.12)	(4.24)	5%	(4.45)	(4.67)	(4.90)	(5.15)	(5.41)	(24.58)
(2) Other Expenditure .. ..	..	..	..	..	..	..	..	..	..	..
(i) Contribution to Sugar Cess Fund .. ..	..	..	..	..	..	..	..	..	..	..
(ii) Other Contributions ..	(0.17)	(0.32)*	(0.18)	5%	(0.19)	(0.20)	(0.21)	(0.22)	(0.23)	(1.05)
(e) Civil Defence .. ..	..	..	..	..	..	..	..	..	..	..
Total—Revenue Expenditure ..	17.20	34.11	44.19		39.08	44.79	51.48	59.36	67.25	261.95

(*) Includes grant of Rs 14 lakhs to Local Bodies for Special Dearness Allowance.

**SUMMARY OF PROVINCIAL PROJECTIONS BY PROVINCIAL GOVERNMENTS'
REPRESENTATIVES**

(Rs in crores)

	1973-74 (Actuals)	1974-75 (Revised)†	1974-75 (Base)	1975-76	1976-77	1977-78	1978-79	1979-80	Total 1975-80
Punjab									
Revenue Receipts	114.02	144.22	116.16	123.35	131.13	139.58	148.74	158.71	701.51
Non-development Expenditure met from Revenue	146.51	248.88	249.28	286.03	328.79	378.83	437.41	505.68	1936.74
Revenue Surplus/Deficit (—)	-32.49	-104.66	-133.12	-162.68	-197.66	-239.25	-288.67	-346.97	-1235.23
Sind									
Revenue Receipts	55.70	66.91	52.84	56.18	59.81	63.79	68.13	72.88	320.79
Non-development Expenditure met from Revenue	63.19	108.07	104.78	118.05	134.71	154.21	176.99	203.49	787.45
Revenue Surplus/Deficit (—)	-7.49	-41.16	-51.94	-61.87	-74.90	-90.42	-108.86	-130.61	-466.66
N W F P									
Revenue Receipts]	23.41	36.26	14.74	15.93	17.27	18.79	20.55	22.60	95.14
Non-development Expenditure met from Revenue	25.48	58.83	60.72	68.56	77.72	88.38	100.85	115.46	450.97
Revenue Surplus/Deficit (—)	-2.07	-22.57	-45.98	-52.63	-60.45	-69.59	-80.30	-92.86	-355.83
Baluchistan									
Revenue Receipts §	23.34	27.70	27.92	29.27	30.68	32.16	33.73	35.37	161.21
Non-development Expenditure met from Revenue	18.45	35.93	36.01	41.17	47.19	54.24	62.89	70.89	276.02
Revenue Surplus/Deficit (—) ¶	4.89	-8.23	-8.09	-11.90	-16.51	-22.08	-28.80	-35.52	-114.81
SUMMARY									
Revenue Receipts §	216.47	275.09	211.66	224.73	238.89	254.32	271.15	289.56	1278.65
Non-development Expenditure met from Revenue	253.63	451.71	450.79	513.81	588.41	675.66	777.78	895.52	3451.18
Revenue Surplus/Deficit (—)	37.16	-176.62	-239.13	-289.08	-349.52	-421.34	-506.63	-605.96	-2172.71

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF PUNJAB

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised Estimates	Projection Base 1974-75	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas	0.38	1.12	1.43	5%	1.50	1.58	1.66	1.74	1.83	8.31
Provincial Tax Receipts	58.15	60.23	60.23		65.01	70.25	76.00	82.32	89.27	382.85
Land Revenue	12.08	12.70	12.70	3%	13.08	13.47	13.87	14.29	14.72	69.43
Agricultural Income Tax	0.64	0.57	0.57	Nil	0.57	0.57	0.57	0.57	0.57	2.85
Provincial Excise	4.48	4.75	4.75	5%	4.99	5.24	5.50	5.77	6.06	27.51
Stamps	10.17	9.35	9.35	7%	10.00	10.70	11.45	12.25	13.11	57.51
Registration	0.74	0.80	0.80	6%	0.85	0.90	0.95	1.01	1.07	4.78
Motor Vehicles Tax	7.12	7.70	7.70	7%	8.24	8.82	9.44	10.10	10.81	47.41
Other Taxes and Duties	22.92	24.36	24.36	12%	27.28	30.55	34.22	38.33	42.93	173.31
Non-Tax Receipts	55.49	82.87	54.50		56.84	59.30	61.92	64.68	67.61	310.35
Opium	..	..	..	..	..	..	..	..	..	..
Irrigation	26.75	26.50	25.00	3%	25.75	26.52	27.32	28.14	28.98	136.71
Forests	5.20	5.72	5.72	10%	6.29	6.92	7.61	8.37	9.21	38.40
Debt Services	1.36	2.90	1.40	3%	1.44	1.48	1.52	1.57	1.63	7.64
Receipts of Administrative Departments	4.58	4.50	4.50	5%	4.72	4.96	5.21	5.47	5.74	26.10
Receipts of Beneficent Departments	10.77	9.01	9.01	5%	9.46	9.93	10.43	10.95	11.50	52.27
Grants-in-aid from the Federal Government	1.89	17.53	2.05	..	2.05	2.05	2.05	2.05	2.05	10.25
Miscellaneous Receipts	4.94	16.71	6.82	..	7.13	7.44	7.78	8.13	8.50	38.98
Superannuation Allowances and Pensions	(1.14)	(6.71)	(0.71)	(Nil)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(3.55)
Stationery	(1.26)	(1.56)	(1.56)	(5%)	(1.64)	(1.72)	(1.81)	(1.90)	(1.99)	(9.06)
Other Heads	(2.54)	(14.44)	(4.55)	(5%)	(4.78)	(5.01)	(5.26)	(5.52)	(5.80)	(26.37)
(a) State Trading Profits	(..)	(11.52)	(3.71)	(5%)	(3.96)	(4.09)	(4.29)	(4.50)	(4.73)	(21.51)
(b) Other Receipts	(..)	(2.52)	(0.84)	(5%)	(0.88)	(0.92)	(0.97)	(1.02)	(1.07)	(4.86)
Total—Revenue Receipts	114.02	144.22	116.16		123.35	131.13	139.58	148.74	158.71	701.51

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF PUNJAB

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	7.14	9.10	9.0	6%	9.59	10.17	10.78	11.43	12.12	54.69
2. Civil Administration	23.96	36.62	36.51	6%	38.70	41.02	43.48	46.09	48.86	218.15
3. Development Deptts	93.73	153.30	153.30	15%	176.30	202.74	231.00	261.84	301.20	1188.70
I. Civil Works and Miscellaneous Public Improvements	31.24	53.11	53.11	15%	61.08	70.24	80.78	92.90	106.84	411.84
(i) Irrigation	20.98	(35.64)	(35.64)	(15%)	(20.98)	(23.87)	(27.35)	(31.55)	(36.48)	(270.37)
(ii) Civil Works	(10.26)	(17.47)	(17.47)	(15%)	(20.98)	(23.87)	(27.35)	(31.55)	(36.48)	(135.47)
II. Education	43.67	70.00	70.00	15%	80.50	92.57	106.46	122.43	140.79	542.75
III. Other Beneficent Departments ..	18.82	30.19	30.19	15%	34.72	39.53	45.92	53.11	60.73	234.11
4. Debt Services	8.36	17.96	17.96	..	27.52	39.41	54.24	72.55	95.81	290.07
Central Loans	7.76	13.81	13.81	..	23.18	34.56	49.68	68.88	90.68	266.58
Other Interest .. ..	..	4.15	4.15	..	4.34	4.45	4.66	4.91	5.13	23.49
Appropriation for Reduction or Avoidance of Debt	0.60	..	..	..	..	..	..	..	..	..
5. Other Expenditure	13.32	31.90	32.46	..	33.92	35.45	37.07	38.76	40.53	185.73
(a) Relief and Prvy Purses	1.77	1.09	0.21	Nil	0.21	0.21	0.21	0.21	0.21	1.05
(b) Superannuation Allowances and Pensions	6.36	7.09	7.09	3%	7.30	7.52	7.75	7.98	8.22	38.77
(c) Stationery	1.50	2.00	2.00	5%	2.10	2.20	2.31	2.43	2.55	11.59
(d) Miscellaneous Expenditure	3.53	21.32	22.96	5%	24.10	25.30	26.57	27.90	29.30	133.17
(1) Wheat Subsidy .. ..	..	(14.20)	(20.06)	(5%)	(21.06)	(22.11)	(23.22)	(24.38)	25.60	116.37
(2) Other Expenditure .. ..	..	..	..	..	..	..	..	..	..	..
(i) Contribution to Sugar Cess Fund	3.53	(2.90)	(2.90)	(5%)	(3.04)	(3.19)	(3.35)	(3.52)	(3.70)	(16.80)
(ii) Other Contributions .. ..	..	(4.22)	(..)	(..)	(..)	(..)	(..)	(..)	(..)	(..)
(e) Civil Defence	0.16	0.40	0.20	6%	0.21	0.22	0.23	0.24	0.25	1.15
Total—Revenue Expenditure ..	146.51	248.88	249.28		286.03	328.79	378.83	437.41	505.68	1936.74

PROJECTIONS OF REVENUE RECEIPTS OF THE GOVERNMENT OF SIND

(Rs in crores)

Description]	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas ..	0.42	1.24	1.52	5%	1.60	1.68	1.76	1.85	1.94	8.83
Provincial Tax Receipts	32.40	32.44	32.44		35.12	38.08	41.34	44.94	48.91	208.39
Land Revenue	6.10	4.00	4.00		4.00	4.00	4.00	4.00	4.00	20.00
Agricultural Income Tax	—	0.06	0.06		0.06	0.06	0.06	0.06	0.06	0.30
Provincial Excise	3.93	3.93	3.93	5%	4.13	4.34	4.56	4.79	5.03	22.85
Stamps	5.27	4.30	4.30	7%	4.60	4.92	5.26	5.63	6.02	26.43
Registration	0.53	0.45	0.5	5%	6.48	5.51	5.53	0.57	0.60	2.70
Motor Vehicles Tax	3.97	4.25	4.25	7%	4.55	4.87	5.21	5.57	5.96	26.16
Other Taxes and Duties	12.60	15.45	15.45	12%	17.30	19.38	21.71	24.32	27.24	107.95
Non-Tax Receipts	22.43	33.23	18.88		19.46	20.85	20.69	21.34	22.03	103.57
Opium										
Irrigation	4.47	5.00	5.00		5.00	5.00	5.00	5.00	5.00	25.00
Forests	1.47	1.55	1.55	5%	1.63	1.71	1.80	1.9	1.93	9.01
Debt Services	1.05	1.66	1.66		1.66	1.66	1.66	1.66	1.66	8.30
Receipts of Administrative Departments ..	2.80	2.90	2.90	5%	3.05	3.20	3.36	3.53	3.71	16.85
Receipts of Beneficent Departments ..	6.10	3.50	3.50	5%	3.68	3.68	4.05	4.25	4.46	20.30
Grants-in-aid from the Federal Government	0.35	10.50	0.84		0.84	0.84	0.84	0.84	0.84	4.20
Miscellaneous Receipts	6.64	8.12	3.43		3.60	3.78	3.98	4.17	4.38	19.91
Superannuation Allowances and Pensions.	(0.04)	(0.04)	(0.04)		(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.20)
Stationery	(0.04)	(0.04)	(0.04)	5%	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.23)
Other Miscellaneous Heads	(6.56)	(8.40)	(3.35)		(3.52)	(3.70)	(3.89)	(4.08)	(4.29)	(19.48)
(a) State Trading Profits	(6.56)	(6.79)	(2.10)	5%	(2.21)	(2.32)	(2.44)	(2.56)	(2.69)	(12.22)
(b) Other receipts]	—	(1.25)	(1.25)	5%	(1.31)	(1.38)	(1.45)	(1.52)	(1.57)	(7.26)
Total—Revenue Receipts ..	55.70	65.91	52.84		55.13	57.81	63.72	68.13	72.83	320.72

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF SIND

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	2.58	3.21	3.21	6%	3.40	3.60	3.82	4.05	4.29	19.16
2. Civil Administration ..	14.81	21.00	21.00	6%	22.26	23.60	25.02	26.52	28.11	125.51
3. Development Departments ..	38.45	57.83	57.83		66.50	76.47	87.94	101.14	116.31	448.36
I. Civil Works and Miscellaneous Public Improvements ..	8.60	15.95	15.95		18.34	21.09	24.25	27.89	32.07	123.64
(i) Irrigation ..	(4.39)	(10.49)	(10.49)	15%	(12.06)	(13.87)	(15.95)	(18.34)	(21.09)	(81.31)
(ii) Civil Works ..	(4.21)	(5.46)	(5.46)	15%	(6.28)	(7.22)	(8.30)	(9.55)	(10.98)	(42.33)
II. Education ..	22.88	33.00	33.00	15%	37.95	43.64	50.19	57.72	66.38	255.88
III. Other Beneficent Departments ..	6.97	8.88	8.88	15%	10.21	11.74	13.50	15.33	17.86	68.84
4. Debt Services ..	3.52	9.44	9.44		11.97	16.46	22.15	29.26	37.98	117.82
Central Loans ..	3.52	5.56	5.56		8.94	13.17	18.46	25.07	33.19	98.83
Other Interest ..	..	3.88	3.88		3.03	3.29	3.69	4.19	4.79	18.99
5. Other Expenditure ..	3.83	16.59	13.30		13.92	14.58	15.28	16.02	16.80	76.60
(a) Relief and Privy Purses ..	0.49	0.10	0.10		0.10	0.10	0.10	0.10	0.10	0.50
(b) Superannuation Allowances and Pensions ..	1.69	2.00	2.00	3%	2.06	2.12	2.18	2.25	2.32	10.93
(c) Stationery ..	1.09	1.21	1.21	5%	1.27	1.33	1.40	1.47	1.54	7.01
(d) Miscellaneous Expenditure ..	0.50	13.21	9.92		10.42	10.95	11.51	12.10	12.73	57.71
(1) Wheat Subsidy ..	..	(6.70)	(7.89)	5%	(8.28)	(8.69)	(9.12)	(9.58)	(10.07)	(45.74)
(2) Other Expenditure ..	..	..	..		..	..	..	..	..	..
(i) Contribution to Sugar Cess Fund ..	..	(0.85)	(0.85)	5%	(0.89)	(0.93)	(0.98)	(1.03)	(1.08)	(4.91)
(ii) Other Contributions ..	..	(5.66)*	(1.18)	6%	(1.25)	(1.33)	(1.41)	(1.49)	(1.58)	(7.06)
(e) Civil Defence ..	0.06	0.07	0.07	7%	0.07	0.08	0.09	0.10	0.11	0.45
Total—Revenue Expenditure ..	63.19	108.07	104.78		118.05	134.71	154.21	176.99	203.49	787.45

*Includes grant of Rs 4.48 crores to Local Bodies for Special Dearness Allowance.

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF NWFP

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75)	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas	--	--	--	--	--	--	--	--	--	--
Provincial Tax Receipts	5.50	5.19	5.07		5.44	5.84	6.26	6.73	7.27	31.54
Land Revenue	0.58	0.70	0.58	3%	0.60	0.62	0.64	0.66	0.68	3.20
Agricultural Income Tax .. .. .	..	0.01	0.01	Nil	0.01	0.01	0.01	0.01	0.01	0.05
Provincial Excise	0.38	0.42	0.42	5%	0.44	0.46	0.48	0.50	0.53	2.41
Stamps	2.28	0.68	0.68	7%	0.73	0.78	0.83	0.89	0.95	4.18
Registration	0.03	0.03	0.03	6%	0.03	0.03	0.03	0.04	0.04	0.17
Motor Vehicles Tax	0.68	1.75	1.75	7%	1.87	2.00	2.14	2.29	2.49	10.79
Other Taxes and Duties	1.55	1.60	1.60	10%	1.76	1.94	2.13	2.34	2.57	10.74
Non-Tax-Receipts	17.91	31.07	9.67	10%	10.49	11.43	12.53	13.82	15.33	63.60
Opium	0.01	..	..	..	..	..	..	..	..	..
Irrigation	1.04	1.05	1.05	3%	1.08	1.11	1.14	1.17	1.21	5.71
Forests	3.00	3.00	3.00	20%	3.60	4.32	5.18	6.22	7.46	26.78
Debt Services	0.25	0.27	0.27	5%	0.28	0.29	0.30	0.32	0.34	1.53
Receipts of Administrative Departments	0.83	0.90	0.90	5%	0.95	1.00	1.05	1.10	1.16	5.26
Receipts of Beneficent Departments	3.13	1.18	1.18	5%	1.24	1.30	1.37	1.44	1.51	6.86
Grants-in-aid from the Federal Government	9.06	20.60	1.91		1.91	1.91	1.91	1.91	1.91	9.55
Miscellaneous Receipts	0.59	4.07	1.36		1.43	1.50	1.58	1.66	1.74	7.91
Superannuation Allowances and Pensions	(0.02)	(0.02)	(0.02)	3%	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.10)
Stationery	(0.23)	(0.37)	(0.37)	5%	(0.39)	(0.41)	(0.43)	(0.45)	(0.47)	(2.15)
Other Miscellaneous Heads										
(a) State Trading Profits .. .. .	..	(2.86)	(0.15)	5%	(0.16)	(0.17)	(0.18)	(0.19)	(0.20)	(0.90)
(b) Other Receipts	(0.34)	(0.82)	(0.82)	5%	(0.86)	(0.90)	(0.95)	(1.00)	(1.05)	(4.76)
Total—Revenue Receipts	23.41	36.26	14.74		15.93	17.27	18.79	20.55	22.60	95.14

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF NWFP

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed rate of growth	Projections					Total
					1975-75	1976-77	1977-78	1978-79	1979-8)	
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments ..	1.60	2.20	2.20	6%	2.33	2.47	2.62	2.78	2.95	13.15
2. Civil Administration ..	6.26	19.75	16.00	6%	16.96	17.98	19.06	20.20	21.41	95.61
3. Development Departments ..	16.10	22.20	22.20		25.43	29.25	33.63	38.68	44.49	171.43
I. Civil Works and Miscellaneous Public Improvements ..	4.42	5.60	5.60		6.34	7.29	8.32	9.64	11.09	42.74
(i) Irrigation ..	(2.12)	(2.85)	(2.85)	15%	(3.18)	(3.66)	(4.21)	(4.84)	(5.57)	(21.46)
(ii) Civil Works ..	(2.30)	(2.75)	(2.75)	15%	(3.16)	(3.63)	(4.17)	(4.80)	(5.52)	(21.28)
II. Education ..	8.17	11.40	11.40	15%	13.11	15.08	17.34	19.94	22.93	88.40
III. Other Beneficent Departments ..	3.51	5.20	5.20	15%	5.98	6.88	7.91	9.10	10.47	40.34
4. Debt Services ..		5.70	5.70		8.52	11.97	16.25	21.57	28.15	86.46
Central Loans ..		3.47	3.47		6.15	9.50	13.69	18.93	25.40	73.67
Other Interest ..		2.23	2.23		2.37	2.47	2.56	2.64	2.75	12.79
5. Other Expenditure ..	1.52	8.98	14.62		15.32	16.05	16.82	17.62	18.46	84.27
(a) Relief and Privy Purses ..	0.24	0.01	0.01	Nil	0.01	0.01	0.01	0.01	0.01	0.05
(b) Superannuation Allowances and Pensions ..	0.97	1.25	1.25	3%	1.29	1.33	1.37	1.41	1.45	6.85
(c) Stationery ..	0.31	0.33	0.33	5%	0.35	0.37	0.39	0.41	0.43	1.95
(d) Miscellaneous Expenditure ..		7.38	13.02		13.66	14.33	15.04	15.78	16.56	75.37
(1) Wheat Subsidy ..		(5.60)	(12.10)	5%	(12.71)	(13.35)	(14.02)	(14.72)	(15.46)	(70.26)
(2) Other Expenditure ..										
(i) Contribution to Sugar Cess Fund ..		(0.47)	(0.47)	5%	(0.49)	(0.51)	(0.54)	(0.57)	(0.60)	(2.71)
(ii) Other Contributions ..		(1.31)	(0.45)	3%	(0.46)	(0.47)	(0.48)	(0.49)	(0.50)	(2.43)
(e) Civil Defence ..		0.01	0.01		0.01	0.01	0.01	0.01	0.01	0.05
Total—Revenue Expenditure ..	24.48	58.83	60.72		68.56	77.72	88.38	100.85	115.46	450.97

PROJECTION OF REVENUE RECEIPTS OF THE GOVERNMENT OF BALUCHISTAN

(Rs in crores)

Description;	1973-74 Actuals	1974-75 Revised	Projection Base 1974-75)	Assessed rate of growth	Projections					
					1975-76	1976-77	1977-78	1978-79	1979-80	Total
1	2	3	4	5	6	7	8	9	10	11
Royalty/Excise Duty on Natural Gas ..	4.63	19.28	23.47	5%	24.64	25.87	27.16	28.52	29.95	136.14
Provincial Tax Receipts ..	1.04	1.10	1.10		1.17	1.24	1.31	1.39	1.47	6.58
Land Revenue ..	0.28	0.41	0.41	3%	0.42	0.43	0.44	0.45	0.46	2.20
Agricultural Income Tax ..										
Provincial Excise ..	0.19	0.10	0.10	5%	0.11	0.12	0.13	0.14	0.15	0.65
Stamps ..	0.12	0.12	0.12	7%	0.13	0.14	0.15	0.16	0.17	0.75
Registration ..		0.01	0.01	6%	0.01	0.01	0.1	0.01	0.01	0.05
Motor Vehicles Tax ..	0.29	0.27	0.27	7%	0.29	0.31	0.33	0.35	0.37	1.65
Other Taxes and duties ..	0.16	0.19	0.19	10%	0.21	0.23	0.25	0.28	0.31	1.28
Non-Tax Receipts ..	17.67	7.32	3.35		3.46	3.57	3.69	3.82	3.95	18.49
Irrigation ..	0.13	0.13	0.13	3%	0.13	0.13	0.13	0.13	0.13	0.65
Forests ..	0.12	0.13	0.13	5%	0.14	0.15	0.16	0.17	0.18	0.80
Debt Services ..	0.02	0.03	0.03	5%	0.03	0.03	0.03	0.03	0.03	0.15
Receipts of Administrative Departments ..	0.50	0.35	0.35	5%	0.37	0.39	0.41	0.43	0.45	2.05
Receipts of Beneficent Departments ..	0.71	1.23	1.23	5%	1.29	1.35	1.42	1.49	1.56	7.1
Grants-in-aid from the Federal Govern- ment ..	15.91	4.69	1.02		1.02	1.02	1.02	1.02	1.02	5.10
Miscellaneous Receipts ..	0.28	0.76	0.46		0.48	0.50	0.52	0.55	0.58	2.63
Superannuation Allowances and Pensions ..		(0.01)	(0.01)		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)
Stationery ..										
Other Miscellaneous Heads ..	(0.28)	(0.75)	(0.45)	5%	(0.47)	(0.49)	(0.51)	(0.54)	(0.57)	(2.58)
(a) State Trading Profits ..		(0.30)								
(b) Other receipts ..	(0.28)	(0.45)	(0.45)	5%	(0.47)	(0.49)	(0.51)	(0.54)	(0.57)	(2.58)
Total—Revenue Receipts ..	23.34	27.70	27.92		29.27	30.68	32.16	33.73	35.37	161.21

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF THE GOVERNMENT OF BALUCHISTAN

(Rs in crores)

Description	1973-74 Actuals	1974-75 Revised	Projection Base (1974-75)	Assessed rate of growth	Projections					Total
					1975-76	1976-77	1977-78	1978-79	1979-80	
1	2	3	4	5	6	7	8	9	10	11
1. Revenue Collecting Departments	0.48	0.67	0.67	6%	0.71	0.75	0.80	0.85	0.90	4.01
2. Civil Administration	4.78	8.36	8.22	6%	8.71	9.23	9.78	10.37	10.99	49.08
3. Development Departments	12.65	18.72	18.72		21.53	24.76	28.47	32.74	36.33	143.83
I. Civil Works and Miscellaneous Public Improvements	6.13	8.12	8.12		9.34	10.74	12.35	14.20	16.33	62.96
(i) Irrigation	(1.25)	(1.82)	(1.82)	15%	(2.09)	(2.40)	(2.76)	(3.17)	(3.65)	(14.07)
(ii) Civil Works	(4.88)	(6.30)	(6.30)	15%	(7.25)	(8.34)	(9.59)	(11.03)	(12.68)	(48.89)
II. Education	3.33	5.60	5.60	15%	6.44	7.41	8.52	9.80	9.95	42.12
III. Other Beneficent Departments	3.19	5.00	5.00	15%	5.75	6.61	7.60	8.74	10.05	38.75
4. Debt Services	0.02	4.33	3.57	—	5.16	7.15	9.64	12.75	16.57	51.27
Central Loans	0.02	2.73	2.73	—	4.32	6.31	8.80	11.91	15.73	47.07
Other Interest	—	1.60	0.84	—	0.84	0.84	0.84	0.84	0.84	4.20
Other Expenditure	0.52	3.85	4.83		5.06	5.30	5.55	5.82	6.10	27.83
(a) Relief and Privy Purses	0.17	0.12	0.12	Ni	0.12	0.12	0.12	0.12	0.12	0.60
(b) Superannuation Allowances and Pensions	0.15	0.26	0.26	3%	0.27	0.28	0.29	0.30	0.31	1.45
(c) Stationery	0.03	0.03	0.03	5%	0.03	0.03	0.03	0.03	0.03	0.15
(d) Miscellaneous Expenditure	0.17	3.44	4.42	5%	4.64	4.87	5.11	5.37	5.64	25.63
(1) Wheat Subsidy	(NA)	(3.12)	(4.24)	5%	(4.45)	(4.67)	(4.90)	(5.15)	(5.41)	(24.58)
(2) Other Expenditure :										
(i) Contribution to Sugar Cess Fund										
(ii) Other Contributions	(0.17)	(0.32)*	(0.18)	5%	(0.19)	(0.20)	(0.21)	(0.22)	(0.23)	(1.05)
(e) Civil Defence .. ..	..	..	..		..	..	..	..	..	..
Total—Revenue Expenditure	18.45	35.93	36.01		41.17	47.19	54.24	62.53	70.89	276.02

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*Includes grant of Rs 14 lakhs to Local Bodies for Special Dearness Allowance.

COMMENTS OF GOVERNMENT OF SIND

FEDERAL REVENUE RECEIPTS DURING 1975 to 80

Among tax receipts, import duty is assigned a growth rate of 10% while excise duty 9% sales tax 8% etc., against 12% assigned to Provincial other taxes and duties and 7% for motor vehicles tax. It is indeed surprising that income elastic taxes such as import duties, excise etc. are subject to not more than 10% while the inelastic Provincial taxes have been assigned highly optimistic growth rates. A comparison of the growth rates assigned to Provincial and Federal Taxes would clearly show that the consideration in working out the estimates is to deflate the Federal Government revenue and inflate the Provincial Governments' receipts thus avoiding the need for larger and justified transfer of resources from the Federation to the Provinces. If the projection 1975-76 for tax receipts is compared with R.E. 1974-75 a growth rate of 4.77% is established against 7.35% growth rate assigned to Provincial tax receipts. Reference to Table IV page 85 of the working papers for the Development Perspective 1975-80 Vol. I published by the Planning Commission would be of interest. The growth rate assigned during 1965-70 to import duties is 11.4% excise and sales tax 14.5% income tax 11.4%. For the period 1970-75 the growth rates are even higher at 23.5% and 14%. The growth rates for 1965-75 rates are actual and to that extent either there has been a sharp decline in the economy which does not seem to be corroborated either by the Planning Commission or the Ministry of Finance or the acceleration indicated by the Ministry in the estimates furnished for the working group appointed by the Finance Commission is underestimated.

Projections of Federal Non-development Expenditure during 1975-80

(1) *Revenue Collecting Departments.*—The increase is 25.44%. The breakdown of items listed has not been furnished. The details in respect of items 4 & 5 need to be furnished and expenditure on non-recurring items excluded.

(2) *Audit.*—The increase is 29.32%. This is exorbitant for non-dynamic function like audit. Details should be furnished.

(3) *Police.*—The increase in R.E. 1974-75 over actuals for 1973-74 is 123 percent which despite the items listed suggests that the Ministry of Finance has been lavish with this agency. Curiously enough the Ministry refused to accept outside the budget sanction on a much smaller scale accorded by the Sind Government in respect of various functional activities in this Province. The bench-mark i.e. R.E. 1974-75 includes non-recurring items like helicopter and other equipment which may have been sanctioned against the items listed (iv) (v) and (vi).

The projection for 1975-76 on the basis of R.E. 1974-75 indicates an acceleration of 27.08% against the agreed rate of growth of 6%.

(4) *Frontier Regions.*—The increase in R.E. 1974-75 over 1973-74 is 145.33%. Here again non-recurring element should be excluded.

(5) *Education.*—Increase is 165.66%. A phenomenal rise for an agency which is not directly concerned with either the management of Educational Institutions or their control.

A cursory glance at the estimates furnished by the Ministry of Finance indicates :

- (a) that the build-up in expenditure during the current year has been inexplicably lavish particularly so when the Ministry exhorts the Provinces to balance the budget and also throw-up surpluses;
- (b) that details of the break-up have not been furnished;
- (c) that non-recurring items have been included in the bench-mark figures ;
and
- (d) that agreed growth rates have not been used for projecting expenditure in the coming years and where this is so the bench-mark has been inflated through generous sanctions during the course of the current year.

PROJECTION OF REVENUE RECEIPTS OF FEDERAL GOVERNMENT DURING THE PERIOD 1975-80

(Rs in crores)

	1973-74 Actuals	1974-75 Revised	Base for future project- ion	Annual growth rate	1975-76 Project- ion	1976-77 Project- ion	1977-78 Project- ion	1978-79 Project- ion	1979-80 Project- ion	Total 1975-80
TAX RECEIPTS	924.49	1057.53	1059.56		1171.05	1293.92	1435.88	1592.88	1769.15	7264.88
Principal Heads	921.45	1044.45	1039.95		1159.45	1274.30	1413.18	1569.05	1744.13	7151.12
Customs	428.03	473.50	469.00		533.05	606.08	689.37	784.39	892.83	3505.72
(Import Duties)	(237.39)	(343.00)	(343.00)	15%	(394.45)	(453.62)	(521.66)	(599.91)	(689.90)	(2659.54)
(Export Duties)	(190.64)	(130.50)	(126.00)	10%	(138.60)	(152.46)	(167.71)	(184.48)	(202.93)	(846.18)
Excise Duties	293.00	339.10	339.10	9%	369.62	402.89	439.15	478.67	521.75	2212.08
Taxes on Income	119.45	120.00	120.00	2.5%	123.00	126.07	129.22	132.45	135.76	646.50
Sales Tax	74.97	105.00	105.00	12%	117.60	131.71	147.52	165.22	185.05	747.10
Other Taxes	5.95	5.85	5.85		6.14	6.45	6.77	7.11	7.47	33.94
Worker's Welfare Tax	0.05	1.00	1.00	5%	1.05	1.10	1.15	1.21	1.27	5.78
Surcharges	3.04	23.08	19.61		20.59	21.62	22.70	23.83	25.02	113.76
Natural Gas	0.75	19.61	19.61	5%	20.59	21.62	22.70	23.83	25.02	131.76
Cement	0.71	1.84	..		..	..	..	..	..	..
Price Equalization	1.58	1.63	..		..	..	..	..	..	..
NON-TAX RECEIPTS	151.05	211.56	199.51		233.02	258.02	281.32	313.60	347.64	1433.60
Interest Receipts	39.02	105.44	106.82		128.60	146.94	163.13	187.78	213.67	840.12

Annex VI (contd.)

(Rs in crores)

	1973-74 Actuals	1974-75 Revised	Base for future project- ion	Annual growth rate	1975-76 Project- ion	1976-77 Project- ion	1977-78 Project- ion	1978-79 Project- ion	1979-80 Project- ion	Total 1975-80
Interest Receipts	36.93	81.15	81.15	15%	93.32	107.32	123.42	141.93	163.22	629.24
Return on Investments	2.09	20.05	20.05	10%	22.00	24.20	26.62	29.28	32.21	134.34
Return on Vegetable Industries .. ..	..	..	0.63	10%	0.69	0.75	0.84	0.92	1.01	4.21
Fuel and Power Corporations .. ..	..	..	0.19	10%	0.21	0.24	0.26	0.29	0.31	1.31
Return on Maritime Shipping .. ..	..	..	1.51	10%	1.66	1.83	2.01	2.21	2.43	10.14
Return on B.I.M. Corporations .. ..	..	..	3.29	10%	3.62	3.98	4.38	4.81	5.29	22.08
Return on Nationalized Banks .. ..	..	4.24	0.63	10%	7.10	8.62	5.60	8.34	9.20	38.86
Other Receipts	112.03	106.12	92.69		104.42	111.08	118.19	125.82	133.97	593.48
Opium	0.14	0.24	0.24	..	0.24	0.24	0.24	0.24	0.24	1.20
Post Office	-1.03	-4.13	-5.50		..	..	..	..	..	..
Telephone and Telegraph	22.45	12.84	12.84	10%	14.12	15.53	17.08	18.79	20.67	86.19
Civil Administration	14.04	7.54	7.54	7%	8.07	8.63	9.23	9.88	10.57	46.38
Currency and Mint	15.98	24.02	24.02	7.5%	25.82	27.76	29.84	32.08	34.48	149.98
Civil Works	1.88	1.51	1.51	1%	1.53	1.55	1.56	1.58	1.60	7.82
Defence Receipts	33.73	32.86	20.80		21.84	22.93	24.08	25.28	26.54	120.67
Miscellaneous Receipts	24.84	31.24	31.24	5%	32.80	34.44	36.16	37.97	39.87	181.24
Total	1075.54	1279.09	1259.07		1404.07	1553.94	1717.20	1906.48	2116.79	3698.48
Income Tax refund to A.K. Govern- ment	-2.50	-2.50	-2.50		-2.50	-2.50	..	..	..	-5.00
Total	1073.04	1276.59	1256.57		1401.57	1551.44	1717.20	1906.48	2116.72	3693.48

PROJECTION OF NON-DEVELOPMENT REVENUE EXPENDITURE OF FEDERAL GOVERNMENT DURING THE YEARS 1975—80
(EXCLUDING SUBSIDIES AND GRANTS TO PROVINCES)

(Rs in crores)

	1973-74 Actual	1974-75 Revised	Base for future project- ion	Annual growth rate	1975-76 Project- ion	1976-77 Project- ion	1977-78 Project- ion	1978-79 Project- ion	1979-80 Project- ion	Total 1975—80
Revenue Collecting Departments ..	6.76	8.54	8.30	6%	8.80	9.33	9.89	10.48	11.11	49.61
Civil Administration ..	83.31	139.86	123.49	6%	130.90	138.76	147.09	155.91	165.26	737.92
General Administration ..	30.89	32.24	32.00		33.92	35.96	38.12	40.41	42.83	191.24
Audit ..	4.40	5.24	5.24		5.55	5.88	6.23	6.60	7.00	31.26
Police ..	10.86	24.19	20.50		21.73	23.03	24.41	25.87	27.42	122.46
Frontier Regions ..	22.39	54.92	47.00		49.82	52.81	55.98	59.34	62.90	280.85
Other Administrative Departments ..	2.35	3.25	3.25		3.45	3.66	3.88	4.11	4.36	19.46
Foreign Affairs ..	12.42	20.02	15.50		16.43	17.42	18.47	19.58	20.75	92.65
Beneficent Departments ..	27.62	38.32	32.61	15%	38.60	44.40	51.06	58.72	67.52	260.30
Scientific Department ..	13.21	13.62	13.62		15.66	18.01	20.71	23.82	27.39	105.59
Education ..	3.64	9.67	5.80		6.67	7.67	8.82	10.14	11.66	44.96
Agriculture, Industries, and Fisheries ..	1.45	2.01	2.01		2.31	2.66	3.06	3.52	4.05	15.60
Medical and Public Health ..	5.34	7.33	5.80		7.77	8.94	10.28	11.82	13.59	52.40
Aviation ..	2.85	4.56	4.25		4.89	5.62	6.46	7.43	8.54	32.54
Investment Promotion and Supplies Department ..	1.13	1.11	1.13		1.30	1.50	1.73	1.99	2.29	8.81
Currency and Mint ..	2.39	2.90	2.60	6%	2.76	2.93	3.11	3.30	3.50	15.60
Pension, Stationery and Printing ..	5.92	6.72	6.72	6%	7.12	7.55	8.00	8.48	8.99	40.14
Civil Works ..	8.47	11.02	11.00	6%	11.66	12.36	13.10	13.89	14.72	65.73
Debt Services ..	..	298.00	298.00		432.00	371.00	491.00	601.00	655.00	1550.00
Other Expenditure ..	17.59	24.45	22.90	6%	24.27	25.73	27.27	28.91	30.64	136.82
Defence ..	485.68	613.87	613.87	6%	650.70	689.74	731.42	774.99	821.48	3668.33
Grants to Provinces ..	15.85	63.32	5.82		5.82	5.82	5.82	5.82	5.82	29.10
Grants to Azad Kashmir ..	..	..	2.50		..	..	2.50	2.50	2.50	7.50
Total ..	653.59	1297.00	1127.81		1312.63	1307.62	1490.26	1664.00	1786.54	7561.05

FEDERAL GOVERNMENT'S PROFIT ON RICE EXPORTS AND EXPENDITURE ON SUBSIDIES

								(Rs in crores)
I.	Profit on Rice	..	..	..	..	..	..	42.59
II.	Subsidies	..	..	..	..	..	..
1.	Wheat	..	..	..	..	..	..	223.09
	(Imported)	..	..	..	..	..	..	(209.63)
	(Indigenous)	..	..	..	..	..	..	(13.46)
2.	Edible oil	..	..	..	..	..	..	52.00
3.	Oil Refineries	..	..	..	..	..	..	25.55
4.	Cotton Export Corporation (Cotton Exports)	..	..	..	..	..	..	27.14
5.	PIA	..	..	..	..	..	..	12.36
6.	Fertilizers	..	..	..	..	..	..	32.49
7.	Other subsidies	..	..	..	..	..	..	6.63
	(a) Karachi Shipyard	..	..	..	..	..	..	(..)
	(b) On salt and kerosene oil in Gilgit Area	..	..	..	..	..	..	(..)
	(c) On wheat, sugar, kerosene oil etc., in Azad Kashmir	..	..	..	..	..	..	(0.34)
	(d) On interest to specialized institutions	..	..	..	..	..	..	(0.90)
	(e) Pakistan Broadcasting Corporation	..	..	..	..	..	..	(2.00)
	(f) Export of cottonseed meal	..	..	..	..	..	..	(1.23)
	(g) On NIT Units in lieu of guaranteed dividend	..	..	..	..	..	..	(0.67)
	(h) Pakistan Oil Fields Ltd to meet shortfalls in income	..	..	..	..	..	..	(0.27)
	(i) Tourism Development Corporation	..	..	..	..	..	..	(0.05)
	(j) Miscellaneous	..	..	..	..	..	..	(1.17)
							Total Subsidy	379.26
Deduct :								
	(i) Surcharge on Petroleum Products	..	..	..	..	..	..	7.19
	(ii) Surcharge on Fertilizer	..	..	..	..	..	..	23.81
							Net Subsidy	348.26

PROJECTION OF DIVISIBLE POOL AND PROVINCIAL SHARES DURING THE PERIOD 1975 TO 1980

(Rs in crores)

	1974-75 Revised	Base for future project- ion	Annual growth rate	1975-76 Project- ion	1976-77 Project- ion	1977-78 Project- ion	1978-79 Project- ion	1979-80 Project- ion	Total 1975-80
I. CUSTOMS :									
Raw Cotton	58.00	58.00	10%	63.80	70.18	77.20	84.92	93.81	389.51
Less Collection Charges (5%) ..	2.90	2.90		3.19	3.51	3.86	4.25	4.67	19.48
Divisible Revenue	55.10	55.10		60.61	66.67	73.34	80.67	88.74	370.03
Federal Share (20%)	11.02	11.02		12.12	13.33	14.67	16.14	17.75	74.01
Provincial Share (80%)	44.08	44.08		48.49	53.34	58.67	64.53	70.99	296.02
Provincial Share (46% of 80%)	20.28	20.28		22.30	24.54	26.99	29.68	32.66	136.16
Punjab	11.46	11.46		12.60	13.86	15.25	16.77	18.45	76.93
Sind	4.77	4.77		5.24	5.77	6.34	6.97	7.68	32.96
N.W.F.P.	3.14	3.14		3.46	3.80	4.18	4.60	5.06	21.10
Baluchistan	0.91	0.91		1.00	1.11	1.22	1.34	1.47	6.14
II. TAXES ON INCOME :									
.. .. .	120.00	120.00	2.5%	123.00	126.07	129.22	132.45	135.76	646.50
Less :	14.70	14.70		15.07	15.44	15.83	16.23	16.63	79.20
(i) Federal Emoluments	6.20	6.20		6.36	6.51	6.68	6.85	7.01	33.10
(ii) A. J. K. Government	2.50	2.50		2.56	2.63	2.69	2.76	2.83	13.47
(iii) Collection Charges (5%)	6.00	6.00		6.15	6.30	6.46	6.62	6.79	32.33
Divisible Revenue	105.30	105.30		107.93	110.63	113.39	116.22	119.13	567.30
Federal Share	21.06	21.06		21.58	22.13	22.68	23.24	23.83	113.46
Provincial Share (80%)	84.24	84.24		86.35	88.50	90.71	92.98	95.30	453.84

PROJECTION OF DIVISIBLE POOL AND PROVINCIAL SHARES

(Rs in crores)

	1974-75 Revised	Base for future projection	Annual growth rate	1975-76 Project- ion	1976-77 Project- ion	1977-78 Project- ion	1978-79 Project- ion	1979-80 Project- ion	Total 1975-80	
Provincial Share (45% of 80%)	38.75	38.75		39.72	40.71	41.72	42.77	43.84	208.77	
Punjab	21.89	21.89		22.44	23.00	23.57	24.17	24.77	117.95	
Sind	9.11	9.11		9.33	9.57	9.80	10.05	10.30	49.06	
N.W.F.P.	6.01	6.01		6.16	6.31	6.47	6.63	6.80	32.37	
Baluchistan	1.74	1.74		1.79	1.83	1.88	1.92	1.97	9.39	
III. SALES TAX :	105.00	105.00	12%	117.60	131.71	147.52	165.22	185.05	747.10	
Less Collection Charges (5%)	5.25	5.25		5.88	6.59	7.38	8.26	9.25	37.36	
Divisible Revenue	99.75	99.75		111.72	125.12	140.14	156.96	175.80	709.74	
Federal Share (20%)	19.95	19.95		22.34	25.02	28.03	31.39	35.16	141.95	
Provincial Share (80%)	79.80	79.80		89.38	100.10	112.11	125.57	140.64	567.79	
Provincial Share (46% of 80%) :	36.71	36.71		41.11	46.06	51.57	57.76	64.69	261.19	
Punjab	20.74	20.74		23.23	26.02	29.14	32.64	36.50	147.57	
Sind	8.63	8.63		9.66	10.82	12.12	13.57	15.20	61.38	
N.W.F.P.	5.69	5.69		6.37	7.14	7.99	8.95	10.03	40.49	
Baluchistan	1.65	1.65		1.85	2.07	2.32	2.60	2.91	11.75	
SUMMARY										
Divisible Pool	260.15	260.15		280.26	302.43	326.37	353.85	383.67	1647.08	
Federal Share (20%)	52.03	52.03		56.05	60.49	65.37	70.77	76.74	329.42	
Provincial Share @ 30%	208.12	208.12		224.21	241.94	261.50	283.08	306.93	1317.66	
Provincial Share (46% of 80%) :	95.74	95.74		103.14	111.29	120.20	130.21	141.19	606.12	
Punjab	54.09	54.09		58.28	62.88	67.95	73.57	79.77	342.46	
Sind	22.51	22.51		24.24	26.15	28.27	30.60	33.18	142.44	
N.W.F.P.	14.84	14.84		15.98	17.25	18.65	20.18	21.89	93.05	
Baluchistan	4.30	4.30		4.64	5.01	5.41	5.86	6.35	27.27	

LOCATIONAL INVESTMENT (COMMON)

Division/ Organisation	(Rs in lakhs)				
	Upto 1955	1955-60	1960-65	1965-70	1970-75
Civil Aviation	—	174.15	411.73	93.31	245.76
Food Division	—	476.60	836.37	714.63	1600.14
Health Division	—	—	—	151.18	196.56
Planning Division	—	—	—	2.50	8.26
Railways	—	116.90	429.50	621.20	362.50
Social Welfare	—	—	—	149.44	98.10
States & Frontier Regions	—	—	424.00	426.40	2270.57
Directorate of Oil Operations	—	—	—	—	137.19
Directorate of Petroleum Concessions.. .. .	—	—	321.11	133.09	235.69
Energy Resource Cell	—	—	—	—	36.25
Pakistan Mint	—	—	—	3.15	6.30
Population Planning	—	—	—	533.14	—
Social Welfare Organisation	—	—	—	11.06	12.91
House Building Finance Corporation	—	571.44	1393.87	1331.83	4263.14
Oil & Gas Development Corporation	—	—	1191.50	2436.30	4572.10
Pakistan Broadcasting Corporation	1.85	8.77	139.52	385.68	917.82
Pakistan International Airlines Corporation	—	—	—	3109.50	12499.40
Pakistan Mineral Development Corporation	—	—	—	—	389.54
Pakistan Television Corporation	—	—	—	35.11	478.47
Security Papers Limited	—	—	—	324.84	36.34
Total	1.85	1347.86	5147.60	10462.36	28367.04

Annex XI to Appendix X

LOCATIONAL INVESTMENT (PUNJAB)

(Rs in lakhs)

Division/ Organisation	Upto 1955	1955—60	1960—65	1965—70	1970—75
Civil Aviation	—	83.90	303.40	485.77	504.26
Food Division	—	15.75	38.49	29.79	215.01
Health Division	—	—	—	7.03	—
Interior Division	—	—	—	58.76	40.25
Production Division	—	4.39	1956.25	3738.86	32186.22
Tourism Division	—	—	—	—	13.07
Directorate of Gas Operations	—	—	1141.20	189.53	—
Meteorological Department	—	—	16.01	13.21	14.61
Pakistan Mint	—	—	—	6.00	54.48
Peoples Works Programme	—	—	—	—	113.56
Population Planning	—	—	—	—	1138.20
Post Offices	—	21.50	41.50	124.79	164.70
Staff Welfare Organisation	—	—	4.65	11.00	16.26
WAPDA (Power)	—	2471.03	8399.49	9629.32	17355.98
WAPDA (Water)	—	531.72	3780.35	6833.20	7000.39
Agricultural Development Bank of Pakistan	—	—	—	—	5739.20
House Building Finance Corporation	—	—	—	72.66	1784.93
National Power Construction Corporation	—	—	—	—	90.00
Pakistan Broadcasting Corporation	7.46	20.39	51.34	98.29	56.30
Pakistan Mineral Development Corporation	—	—	153.50	—	50.01
Pakistan Refugee Rehabilitation Finance Corporation	67.63	33.72	21.95	10.09	2.01
Pakistan Television Corporation	—	—	—	165.41	334.74
Total	75.09	3182.40	15906.13	21473.71	66874.18

LOCATIONAL INVESTMENT (SIND)

(Rs in lakhs)

Division/ Organisation	Upto 1955	1955—60	1960—65	1965—70	1970—75
Civil Aviation	—	78.33	375.12	242.83	491.99
Food Division	—	103.13	44.11	52.10	77.82
Health Division	—	—	—	69.81	113.14
Production Division	—	1.05	912.39	1344.95	50230.81
Tourism Division	—	—	—	—	19.00
Directorate of Gas Operations	—	—	110.74	—	15.00
Meteorological Department	—	—	21.93	37.63	28.49
Population Planning	—	—	—	—	386.70
Post Offices	—	14.50	26.00	77.21	93.12
Staff Welfare Organisation	—	—	1.60	19.79	6.98
WAPDA (Power)	—	104.33	1071.70	3086.69	7944.94
WAPDA (Water)	—	9.84	440.70	2698.16	3996.24
Agricultural Development Bank of Pakistan	—	—	—	—	2930.90
House Building Finance Corporation	—	—	—	131.00	2356.64
Pakistan Broadcasting Corporation	72.97	27.18	22.36	70.45	70.37
Pakistan Mineral Development Corporation	—	—	—	—	16.27
Pakistan Refugee Rehabilitation Finance Corporation	146.43	48.62	11.71	1.14	0.72
Pakistan Television Corporation	—	—	—	141.19	307.70
Rice Export Corporation	—	63.00	486.31	471.78	139.45
Total	219.40	449.98	3524.67	8444.73	69226.26

LOCATIONAL INVESTMENT (NWFP)

(Rs in lakhs)

Division/ Organisation	Up to 1955	1955-60	1960-65	1965-70	1970-75
Civil Aviation	—	9.23	30.15	138.22	256.44
Food Division	—	—	0.53	1.93	8.29
Interior Division	—	—	—	36.81	41.56
Production Division	—	4.75	2.87	6.77	198.88
Tourism Division	—	—	—	—	15.89
Directorate of Gas Operations	—	—	129.26	—	1100.00
Meteorological Department	—	—	10.58	21.79	30.69
Peoples Works Programme	—	—	—	—	2.36
Population Planning	—	—	—	—	241.25
Post Offices	—	3.15	21.00	62.37	41.27
Staff Welfare Organisation	—	8.80	57.37	—	3.30
WAPDA (Power)	—	—	—	—	2729.75
WAPDA (Water)	—	—	673.34	997.40	1076.17
Agricultural Development Bank of Pakistan	—	—	—	—	307.90
House Building Finance Corporation	—	—	—	5.43	110.49
Pakistan Broadcasting Corporation	3.39	6.08	1.22	0.54	124.60
Pakistan Mineral Development Corporation	—	—	—	—	213.60
Pakistan Refugee Rehabilitation Finance Corporation	14.50	6.95	2.38	—	—
Pakistan Television Corporation	—	—	—	—	291.86
Tobacco Board	—	—	—	—	33.50
Total	17.89	35.96	928.70	1271.26	6827.80

LOCATIONAL INVESTMENT (BALUCHISTAN)

(Rs in lakhs)

Division/ Organisation	Upto 1955	1955—60	1960—65	1965—70	1970—75
Civil Aviation	—	—	3.76	62.27	7.15
Food Division	—	22.88	17.55	—	7.21
Health Division	—	—	—	—	250.00
Production Division	—	0.03	0.28	0.51	0.37
Tourism Division	—	—	—	—	2.67
Directorate of Gas Operations	—	—	81.49	15.17	—
Directorate of Oil Operations	—	—	226.20	268.26	100.08
Geological Survey of Pakistan	—	—	228.20	268.27	99.10
Meteorological Department	—	—	8.17	17.93	12.26
Population Planning	—	—	—	—	57.18
Post Offices	—	6.21	7.00	11.67	8.39
Social Welfare Organisation	—	—	—	0.09	0.55
WAPDA (Power)	—	—	216.08	474.93	1026.29
WAPDA (Water)	—	—	—	—	355.00
Agricultural Development Bank of Pakistan	—	—	—	—	272.10
House Building Finance Corporation	—	—	—	0.78	10.74
Pakistan Broadcasting Corporation	—	14.31	16.36	37.22	65.58
Pakistan Mineral Development Corporation	—	—	276.30	505.54	300.20
Pakistan Refugee Rehabilitation Finance Corporation	6.11	1.52	1.36	—	—
Pakistan Television Corporation	—	—	—	—	248.20
Total	6.11	44.95	1082.75	1662.64	2823.07

ECONOMIC INDICATORS

	Punjab	Sind	NWFP	Baluchistan	National/ Total
I.—Suggested by Government of Sind					
1. All-weather road mileage :					
(a) per thousand population	0.21	0.19	0.15	0.66	0.21
(b) per 100 square miles area	10.06	4.14	4.62	1.04	4.46
2. Railway mileage :					
(a) Route mileage	2,843.305	1,376.670	915.610	339.590	5,475.175
(b) Track mileage	3,956.897	2,263.244	1,117.280	425.912	7,763.433
(c) Mileage per 100 population .. ..	..	..	..	..	0.082
(d) Mileage per '000' square miles .. ..	..	..	..	..	1.786
3. Number of telephones per thousand population (total population : 68.22 million)					
.. ..	2.24	6.84	1.10	1.83	3.01
Total telephones	89,721	97,290	12,534	4,635	204,180
Population	40,042,189	14,220,389	11,428,357	2,532,541	68,223,476
4. Number of nationalised commercial banks' branches per thousand population					
.. ..	0.065	0.079	0.047	0.051	0.065
5. Consumption of electricity per capita (in units excldgk. ECPO & MESCO) (population 67.17 million) ..					
.. ..	Separate provincewise figures not yet available				70.84
6. Percentage of literacy ..					
.. ..	Separate provincewise figures not yet available				21%
7. Number of students enrolled (000) :					
(a) Primary institutions	3000	1087	712	106	4906
(b) Secondary institutions	952	281	252.9	23.1	1509
(c) Higher institutions (including professional, vocational and technical)	182.9	127.9	35.2	4.6	350.6
(MBBS per '000' of population)	(0.03)	(0.12)	(0.03)	(0.12)	(0.05)

	Punjab	Sind	NWFP	Baluchistan	National/Total
8. Number of hospital beds per thousand population (including Rural Health Centres)	0.43	0.70	0.70	0.75	0.54
9. Access to piped water % of population :					
(a) Urban					Information not yet available.
(b) Rural					Information not yet available.
10. Per capita income :					
(a) Provincial					Information not yet available
(b) Districtwise					Information not yet available
I.—Suggested by Government of Baluchistan					
11. Price index for the years 1965-66 to 1974-75					
(a) Construction materials					Information not available
(b) Other commodities					Information not available
12. Wage index for the years from 1965-66 to 1974-75					Information not available
13. Rise in contract rates for the years from 1965-66 to 1974-75					Information not available
14. Development expenditure for the years from 1955-56 to 1969-70 of the Provinces :					Not available. Provinces were then part of One Unit
15. Loans (foreign and local) waived off by Federal Government :					
(a) Foreign loans					No foreign loan was waived off or written off
(b) Local loans (Rs crores)	269.01	184.41	67.77	39.55	560.74
16. Incidence and collection of Federal taxes comprising divisible pool from 1955 to 1970					Separate provincewise figures not available

	Punjab	Sind	NWFP	Baluchistan	National/ Total
17. Population :					
(a) In thousands (1972 Census)	37,508	14,008	8,337	2,405	62,258
(b) Percentage of total Provincial population (not included :					
Islamabad Capital Territory population 2,365 thousand : Federally Administered Tribal Areas population 2,486 thousand; and Azad Kashmir and Northern Areas population 19,73 thousand).	60.25%	22.50%	13.39%	3.86%	100%

Source of information

- Item 1.—Federal Ministry of Communications
- Items 2 and 5 to 8.—Federal Planning & Development Division
- Item 3.—Pakistan Telegraph & Telephone Department
- Item 4.—Pakistan Banking Council
- Item 15.—Federal Finance Division
- Item 17.—Census Commissioner, Pakistan.

WORKING PAPER FOR THE FOURTH MEETING OF THE NATIONAL
FINANCE COMMISSION HELD AT 10.00 A.M. ON
THURSDAY THE 17TH APRIL 1975.

1. *Minutes of the Third Meeting.*—The minutes of the third meeting have been circulated to Members of the National Finance Commission and official participants under NFC Secretariat letter No. F. 2(1)-NFC/75-Pt. II* dated 14th April, 1975. These are now to be considered and confirmed.

2. *Terms of Reference : (a) Distribution of revenue between the Federation and the Provinces.*—The National Finance Commission in its last meeting tentatively suggested that the divisible pool in respect of (1) export duty on cotton (2) taxes on income and (3) taxes on sales and purchases should be apportioned between the Federation and the Provinces in the following manner :—

Federation	..	..	..	15%
Provinces	..	..	..	85%

The Commission also held preliminary discussions on the apportionment of provincial share among the Provinces and decided that the matter should be discussed in detail in the next meeting. The Commission directed the Provinces to bring with them facts and figures in support of fixation of their share. The Commission may consider these proposals when submitted by the Provinces.

(b) *Making of grants-in-aid to Provinces.*—Finance Division's paper regarding Federal grants-in-aid being given to the Provinces at present was circulated to the Commission in its second meeting held on 20th February, 1975. (Annex XIII to Appendix VIII at pages 98-102). Another paper of that Division explaining the constitutional provisions and dealing with the matter in some details is submitted for Commission's consideration. (Annex I at pages 162—168).

(c) *The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.*—A paper on the subject prepared by the Finance Division is submitted for consideration by the Commission. (Annex II at page 172).

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

(Budget Wing)

SUBJECT :—Federal Grants-in-Aid to the Provinces

The provision of grants-in-aid to the Federating units is characteristic of most of the Federal type of Governments. While any system of distribution of financial resources between the Federation and the units can be so designed as to make the units financially viable, the need may arise at times for the Federal Government to make grants for specific schemes or development projects which are of national importance, or to provide for social services which are otherwise the responsibility of the units themselves, or for subsidies to meet particular situations.

2. The position of Federal grants-in-aid in some of the Federations is briefly as follows. In USA, Federal grants are made to the States in aid of agriculture, vocational education, highway construction, social welfare, etc. Through the instrument of grants-in-aid, the Federal Government secures regulatory and inspectorial powers in matters which are purely state responsibility. There is no concept of subvention to the states. In Canada also, the Dominion Government makes grants, at its discretion, to the Provincial Governments for aiding old age pension and relief of the poor. The tendency in Canada is towards gradual reduction in the volume of grants-in-aid to the Provinces, which are stated to have tended to develop recklessness and irresponsibility in expenditure. In Australia, grants are made to redress financial and economic inequality between the States as well as for specific purposes, subject to the conditions such as making roads, drought relief, rehabilitation of some industry and unemployment relief. In India, there are three types of grants-in-aid, i.e. (i) grants-in-aid for promoting welfare of Scheduled Tribes (ii) general grants-in-aid to meet the residual deficits after devolution of Union revenues to States and (iii) specific grants-in-aid for development.

3. In Pakistan, the Federal Government makes grants-in-aid to the Provinces under the provisions of Articles 160(7) and 164 of the Constitution. The fixed subvention of Rs 1.25 crores to the Provinces of NWFP is paid in terms of Article 160(7). Other grants-in-aid are made by the Federal Government in terms of Article 164. The existing grants-in-aid are broadly classified as (i) non-development grants-in-aid and (ii) development grants-in-aid.

Non-development grants-in-aid

4. Enclosure I (pages 167-168) shows the budget and revised estimates for 1974-75 and budget estimates for 1975-76 of the various non-development grants-in-aid to the Provinces. Functionally, these grants can be divided into following categories :—

- (i) Subvention and general budgetary support grants.
- (ii) Specific grants.
- (iii) Subsidies.

I. SUBVENTION AND GENERAL BUDGETARY SUPPORT GRANTS

5. Subvention and general grants are made to the provinces as a budgetary support. Subvention is made of the fixed amount of Rs 1.25 crores to the province of NWFP irrespective of the size of its revenue deficit. The residual budgetary gap of the deficit provinces after accounting for subvention and other specific grants is met from general grants-in-aid. Additional deficits created by extra-budgetary burdens are also picked up through Federal grants-in-aid. Sometimes grants are made also to the provinces of Punjab and Sind to meet the deficits created by unforeseen liabilities.

6. As a matter of principle, the need for subvention and grants-in-aid for general budgetary support to the provinces should arise only if the existing formula of allocation of revenues proved to be inadequate and insufficient to meet the non-development resource gap of the provinces. A decision on the continuance of these grants is, therefore, required to be taken after taking into account the effect of the proposed allocation of divisible revenue to the provinces on their existing revenue deficits. The position of revenue deficits of the provinces before and after the devolution of Federal divisible revenues to the provinces under the division tentatively suggested by the National Finance Commission is given in Enclosure II (pages 169-170). Taking into consideration revenue assignment under the existing distribution pattern, i.e. 46% of the divisible pool of 80% net proceeds and Federal grants-in-aid, the total revenue deficit of the provinces in the next year amounts to Rs 106 crores but including the recent dearness allowance @ Rs 25 p.m. it would amount to Rs 124 crores. If the divisible pool of 85% is assigned to provinces their revenue deficits would be decreased to Rs 42 crores only, if we do not take into account the grants-in-aid on existing basis. On the other hand, Federal Government's own revenue deficit in the next year would increase from Rs 264 crores to Rs 352 crores. After the distribution of 85% of divisible share of revenue among the Provinces has been agreed to on equitable basis it should be possible to bridge this projected residual deficit by additional resource mobilization and economy in expenditure. There does not appear to be any justification now for the continuance of subvention and general grants of the nature of budgetary support. Various types of grants falling in this category are discussed hereunder in the above background.

(i) Subvention

7. In the wake of introduction of Government of India Act, 1935, Sir Otto Niemeyer was appointed to make recommendations for the assignment of revenue and sharing of taxes. He recommended an annual subvention of Rs one crore for NWFP. This was enhanced to Rs 1.25 crores by Sir Jeremy Raisman in 1953. NWFP kept on receiving this subvention till the creation of One Unit in West Pakistan in 1955. At this stage, administration of some more tribal areas, previously with the Centre, was entrusted to the former Government of West Pakistan and the annual assistance was enhanced to Rs 2.99 crores with the following break up:—

	(Rs in crores)
(1) Subvention payable to the NWFP Government	1.25
(2) Assistance to meet revenue deficit of new areas entrusted to Provincial Government	1.02
(3) Assistance for maintenance of strategic roads	0.72
Total	2.99

8. On the re-emergence of the four provinces in West Pakistan with effect from 1st July, 1970, some of the tribal areas reverted to the Federal Government and the provinces of NWFP and Baluchistan were allowed grants of Rs 1.55 crore and Rs 0.92 crore respectively according to the area that went to them. There does not appear to be any justification for continuance of this assistance after transfer of 85% of divisible revenue to the provinces. A more appropriate arrangement would be to make larger allocation than due under the existing formula to the deficit provinces which would eliminate the need for subvention.

(ii) Grant for meeting revenue deficit

9. Assessment of the resources of the Provincial Governments is made annually to determine their non-development revenue surpluses and deficits. In the case of NWFP and Baluchistan, which have so far been deficit provinces, the entire revenue deficit is picked up by the Federal Government and releases are made in monthly instalments. As a result of transfer of royalty and excise duty on natural gas to the provinces, the budgeted revenue deficit of Rs 14.07 crores of the Baluchistan province has been more than offset. During the next year an amount of about Rs 25 crores is estimated to accrue to them on this account and accordingly this province is now expected to become financially viable. As regards NWFP, after an equitable distribution of the pool of 85% of divisible revenue, there should be no need of any further budgetary support by the Federal Government. Experience has shown that these deficit provinces were induced into laxity in financial control because it was known that Federal Government would pick up their deficits.

10. Federal Government has also given grants to the provinces of Punjab and Sind in the current year to meet additional expenditure on account of ration allowance to Police and to meet expenditure on grant of special dearness allowance on pay and pensions. This expenditure has already been included in the projections of non-development expenditure. Even under the existing arrangements this grant was not required to be made during the next year.

(iii) Other Grants-in-aid as support to Provinces for specific items of expenditure

11. Grants-in-aid to provinces were sanctioned during the course of the year as financial support to meet additional burdens on account of grant of (i) increased ration allowance to police, (ii) compensation to workers of Haroon Textile Mills and (iii) compensation for loss of revenue due to abolition of usher, and to meet additional expenditure on Pakistan Forest Institute, pay revision of doctors, teachers and judiciary, police and furnishing of High Court and payment of gratuity to ex-state forces in the case of NWFP, and as reimbursement of unbudgeted non-development expenditure in the case of Baluchistan. These elements have been accounted for in the projections for the next year and the need for similar grants in the next year should not arise after transfer of divisible revenue to the Provinces.

(iv) Grant-in-aid for transferred institutions

12. The Standing Reorganization Committee, 1962, appointed under the chairmanship of Mr. Mohammad Shoab, former Federal Finance Minister, recommended that some of the Institutions, Departments, Schemes, etc. which were then under the control of the Federal Government should be transferred to the Provincial Governments. The reason for the transfer of these institutions was that they belonged to fields of Provincial responsibilities such as Agriculture, Health, Education, etc. The provision made in the Federal budget during

the years 1962-63 and 1963-64 for the said subjects was also transferred to the Provincial Governments. From 1964-65 onwards grants-in-aid equal to the budget provision made during 1964-65 were fixed. Federal Government has since then been sanctioning annually a fixed grant of Rs 64.31 lakhs to various Provinces of West Pakistan as per following breakup :—

					(Rs in lakhs)
Punjab	..	..	..	..	18.05
Sind	..	..	..	..	19.79
NWFP	..	..	..	..	25.11
Baluchistan	..	..	..	..	1.36
Total ..					<u>64.31</u>

Incidentally, in the year 1972-73, the grant for Punjab was reduced by Rs 10 lakhs and in case of Sind by Rs 5.07 lakhs representing the expenses of Manpower and Employment Exchanges which subject was transferred from them under the Interim Constitution to the Federal Government. This grant is a historical anachronism. Once this expenditure had become a provincial responsibility like other non-development expenditure it should have been met from provincial resources, when, especially in view of their increased responsibilities, their share in divisible pool was increased in 1970. In any case, there is no justification now for the continuance of this grant-in-aid.

II. SPECIFIC GRANTS-IN-AID

(i) Grant for Roads

13. These grants are made to finance expenditure incurred by provinces on non-development account on works relating to Central roads and roads of national importance. The size of these grants depends on the projected expenditure during a particular year as assessed by the Communications Division. Since this grant is intended to ensure maintenance of essential roads, it may have to be continued.

(ii) Grant for People's Local Council's and for Local Government Training Institutes

14. These grants-in-aid represent 60% expenditure incurred on local government institutions etc. financed by the Provincial Governments. The quantum of these grants may vary according to the actual expenditure falling to the share of the Federal Government. Since, under the Constitution this is purely a provincial responsibility, after transfer of the divisible revenue to the provinces there is no justification for continuance of this grant-in-aid.

(iii) Grant for KDA Master Plan

15. On representation from the Provincial Government, the Prime Minister was pleased to sanction a grant of Rs 8 lakhs with effect from 1973-74 for the continuance of the Master Plan Department of KDA, which was rendering advisory service to the Provincial as well as the Federal Government.

(iv) Grant-in-aid for distribution of warm clothing

16. This was an *ad hoc* grant for the current year only.

III. SUBSIDIES**(i) Grant for subsidy on wheat**

17. The issue and procurement prices of wheat are fixed by the Federal Government to maintain uniformity throughout Pakistan. The differential between the procurement price (including some incidentals) and the issue price results in a loss which is met through a subsidy. In the Finance Secretaries' Conference held on 19th April, 1973, the Finance Secretaries of Punjab and Sind raised the issue that the increased differential between the procurement and issue prices was placing the wheat growing provinces in a disadvantageous position and this subsidy should be picked up by the Federal Government. Since 1973-74 the entire loss borne by the Provinces on this account is picked up by the Federal Government through this grant. Since burden on this account may fluctuate as a result of decision by the Federal Government on procurement and issue prices and the withdrawal of the grant may militate against the objective of self-sufficiency in wheat, even though primarily this expenditure is provincial, the grant may perhaps continue.

(ii) Development Grants

18. Development grants are given to the Provincial Governments for specific development schemes. Such grants are taken into account in the overall financing of the ADP. These grants can broadly be divided into two categories: (i) for projects of national importance for which there must be adequate provision in the Provincial ADP notwithstanding competing demands from other schemes and (ii) occasional grants given for specific schemes on the basis of the merits of each case. The following development grants by the Federal Government are provided in the budget for the current year :—

A. Cash Grants (Revenue Account):

- (1) Subsidy on Tubewells.
- (2) Grants for Road Development.
- (3) Grants for Workers Welfare.
- (4) Grants for specific projects.

B. Cash Grants (Capital Account):

- (1) Canadian Counterpart Fund.
- (2) Food Aid Convention Fund.
- (3) US Counterpart Fund.
- (4) US AID Local Currency.

19. The grants mentioned at items (1) to (3) under "A.—Cash Grants (Revenue Account)" fall under category (i) mentioned in Paragraph 18. It is considered that the existing pattern for Federal grant for development schemes may have to be continued. The nature and the quantum of grants of the first category would depend on the priority attached to various types of development schemes of the provinces and ability of the provinces to generate resources for development.

20. Enclosure III (page 171) gives the budget 1974-75, revised estimates 1974-75 and budget estimates 1975-76 of development grants.

BUDGET ESTIMATES 1974-75, REVISED ESTIMATES 1974-75 AND BUDGET ESTIMATES 1975-76 IN RESPECT OF NON-DEVELOPMENT GRANTS-IN-AID TO PROVINCES

(Rs in lakhs)

Particulars	Punjab	Sind	NWFP	Baluchistan	TOTAL	Punjab	Sind	N.W.F.P.	Baluchistan	TOTAL	Punjab	Sind	NWFP	Baluchistan	TOTAL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Non-Development Grants:															
L. General Grants/Subvention ..	8.85	14.72	1112.26	1500.67	2635.70	936.52	980.43	1761.41	424.37	4120.73	8.85	14.72	201.99	93.36	318.12
(1) Budgeted revenue deficits of N.W.F.P. and Baluchistan ..	—	—	932.15	1407.31	2339.46	—	—	863.78	—	863.78	—	—	—	—	—
(2) Revenue deficit due to grant of dearness allowance ..	—	—	—	—	—	763.98	818.77	—	—	1582.75	—	—	—	—	—
(3) Ration allowance to Police ..	—	—	—	—	—	164.49	143.94	68.21	34.01	410.65	—	—	—	—	—
(4) Transferred Institutions	8.05	14.72	25.11	1.36	49.24	8.05	14.72	25.11	1.36	49.24	8.05	14.72	25.11	1.36	49.24
(5) Subvention/Grants ..	—	—	155.00	92.00	247.00	—	—	155.00	92.00	247.00	—	—	155.00	92.00	247.00
(6) For Workers of Haroon Textile Mills ..	—	—	—	—	—	—	3.00	—	—	3.00	—	—	—	—	—
(7) For loss of Usher ..	—	—	—	—	—	—	—	113.58	—	113.58	—	—	—	—	—
(8) Pakistan Forest Institute	—	—	—	—	—	—	—	17.88	—	17.88	—	—	21.88	—	21.88
(9) For Special Tribunal, pay revision of doctors, teachers, judiciary, etc.	—	—	—	—	—	—	—	50.00	—	50.00	—	—	—	—	—
(10) For gratuity to estate forces ..	—	—	—	—	—	—	—	345.81	—	345.81	—	—	—	—	—
(11) For Police ..	—	—	—	—	—	—	—	114.04	3.00	117.04	—	—	—	—	—
(12) For furnishing of Peshawar High Court ..	—	—	—	—	—	—	—	8.00	—	8.00	—	—	—	—	—
(13) For relief in Marri Bugti area ..	—	—	—	—	—	—	—	—	5.00	5.00	—	—	—	—	—

Particulars	Punjab	Siad	NWFP	Baluchistan	TOTAL	Punjab	Siad	NWFP	Baluchistan	TOTAL	Punjab	Siad	NWFP	Baluchistan	TOTAL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
(14) To cover excess in non-development expenditure incurred in 1973-74	—	—	—	—	—	—	—	—	207.00	207.00	—	—	—	—	—
(15) To cover un-budgeted expenditures incurred in Mari Buzd area and creation of three administrative Divisions	—	—	—	—	—	—	—	—	100.00	100.00	—	—	—	—	—
II. Specific Grants	288.87	69.54	40.87	28.56	334.84	283.87	69.54	40.87	28.56	334.84	196.51	69.54	10.98	9.12	286.18
(1) Roads	177.84	44.02	3.09	—	224.95	177.84	44.02	3.09	—	224.95	177.84	44.02	—	—	221.86
(2) People's Local Councils and Local Government Training Institutions ..	18.67	17.52	10.98	9.12	56.29	18.67	17.52	10.98	9.12	56.29	18.67	17.52	10.98	9.12	56.29
(3) Warm Clothing ..	7.36	—	26.80	11.44	45.60	7.36	—	26.80	11.44	45.60	—	—	—	—	—
(4) KDA's Master Plan ..	—	8.00	—	—	8.00	—	8.00	—	—	8.00	—	8.00	—	—	8.00
III—Subsidy															
Subsidy on indigenous wheat.	875.55	435.56	468.22	228.67	2009.00	876.55	435.56	468.22	228.67	2009.00	876.55	435.56	468.22	228.67	2009.00
To a—Non-Development Grants	1081.47	619.82	1621.35	1749.90	4979.54	2016.94	1485.53	2270.50	691.60	6464.57	1081.11	519.82	681.19	331.15	2613.27

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PROJECTED REVENUE DEFICIT OF THE PROVINCES IN 1975-76 UNDER EXISTING ARRANGEMENTS AND AFTER TRANSFER OF 85% OF DIVISIBLE REVENUE AS TENTATIVELY SUGGESTED

(Rs in crores)

							With nil irrigation receipts	With minus irrigation receipts
I. OVERALL REVENUE POSITION (INCLUDING THE DEARNESS ALLOWANCE @ RS 25 PM) WITHOUT FEDERAL REVENUE ASSIGNMENTS AND GRANTS-IN-AID								
Punjab	..	..	..	..	..	..	-147.98	-163.22
Sind	..	..	..	..	..	..	-57.73	-64.79
NWFP	..	..	..	..	..	..	-54.71	-56.81
Baluchistan	..	..	..	..	..	..	-11.47	-13.48
						Total	-271.89	-298.25
II. TRANSFER FROM FEDERAL GOVERNMENT ON EXISTING BASIS								
(a) Revenue assignments at 46% of divisible pool of 83% under Distribution of Revenues Order, 1971								
Punjab	..	..	..	..	..	..	80.45	
Sind	..	..	..	..	..	..	33.46	
NWFP	..	..	..	..	..	..	22.07	
Baluchistan	..	..	..	..	..	..	6.40	
						Total	142.38	
(b) Grants-in-Aid								
Punjab	..	..	..	..	..	..	2.05	
Sind	..	..	..	..	..	..	0.84	
NWFP	..	..	..	..	..	..	1.91	
Baluchistan	..	..	..	..	..	..	1.02	
						Total	5.82	
(c) Total Transfer to Provinces from Federal Government								
Punjab	..	..	..	..	..	..	82.50	
Sind	..	..	..	..	..	..	34.30	
NWFP	..	..	..	..	..	..	23.98	
Baluchistan	..	..	..	..	..	..	7.42	
						Total	148.20	

**III. NET REVENUE POSITION INCLUSIVE OF FEDERAL TRANSFERS
AS IN ITEM II ABOVE**

Punjab	..	..	..	..	..	..	..	-65.48	-80.72
Sind	..	..	..	..	..	..	..	-23.43	-30.49
NWFP	..	..	..	..	..	..	..	-30.73	-32.83
Baluchistan	..	..	..	..	..	..	..	-4.05	-6.01
								<u>-123.69</u>	<u>-150.05</u>
Total	..							-123.69	-150.05

IV. NET TRANSFER OF RESOURCES FROM FEDERAL GOVERNMENT UNDER NEW ARRANGEMENT FOR 1975-76 .. 230.01

V. NET REVENUE POSITION OF THE PROVINCES INCLUSIVE OF FEDERAL TRANSFERS UNDER NEW ARRANGEMENT (ITEM IV ABOVE)	<u>-41.88</u>	<u>-68.24</u>
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BUDGET ESTIMATES 1974-75, REVISED ESTIMATES 1974-75 AND BUDGET ESTIMATES 1975-76 IN RESPECT OF DEVELOPMENT GRANTS-IN-AID TO PROVINCES.

(Rs in lakhs)

Particulars	1974-75 (Budget)					1974-75 (Revised)					1975-76 (Budget)				
	Punjab	Sind	N.W.F.P.	Baluchistan	Total	Punjab	Sind	N.W.F.P.	Baluchistan	Total	Punjab	Sind	N.W.F.P.	Baluchistan	Total
Development Grants :															
1. Tubewell Subsidy ..	75.00	75.00	7.50	5.00	162.50	135.00	75.00	7.50	5.00	222.50	75.00	75.00	7.50	5.00	162.50
2. Road Development ..	129.51	13.50	151.36	64.42	358.79	129.51	126.00	151.36	64.42	471.29	129.51	13.50	151.36	64.42	358.79
3. Workers Welfare Fund ..	175.10	50.00	21.20	34.80	281.10	175.10	50.00	21.20	34.80	281.10	175.10	50.00	21.20	34.80	281.10
4. Counterpart fund grants.	302.54	150.00	75.00	75.00	602.54	302.54	150.00	75.00	75.00	602.54	302.54	150.00	75.00	75.00	602.54
5. For clearance of slum areas in Lahore ..	—	—	—	—	—	30.00	—	—	—	30.00	—	—	—	—	—
6. Allocation against US grant of \$ 27.5 million.	—	—	—	—	—	862.00	475.00	—	—	1337.00	—	—	—	—	—
7. For High Court building..	—	25.00	—	—	25.00	—	25.00	—	—	25.00	—	—	—	—	—
8. For high priority schemes in compensation of imbalance in distribution of \$ 27.5 million US grant ..	—	—	—	—	—	—	400.00	—	—	400.00	—	—	—	—	—
9. For flood protection works ..	—	—	—	—	—	—	—	246.00	—	246.00	—	—	—	—	—
10. For Rest Home at Chitral ..	—	—	—	—	—	—	—	3.00	—	3.00	—	—	—	—	—
11. For Bolan Medical College ..	—	—	—	100.00	100.00	—	—	—	100.00	100.00	—	—	—	100.00	100.00
12. For construction of Bar rooms at Gujrat and Campbellpur ..	—	—	—	—	—	0.20	—	—	—	0.20	—	—	—	—	—
Total—Development Grants ..	682.15	313.50	255.06	279.22	1529.93	1654.35	1301.00	594.06	279.22	3738.63	682.15	288.50	255.06	279.22	1504.93

FINANCE DIVISION
(Budget Wing)

THE EXERCISE BY THE FEDERAL GOVERNMENT AND THE PROVINCIAL GOVERNMENTS OF THE BORROWING POWERS CONFERRED BY THE CONSTITUTION.

The Commission's third term of reference relates to the exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution. In this context the following provision in Articles 166 and 167 of the Constitution is particularly relevant :—

166. *Borrowing by Federal Government.*—The executive authority of the Federation extends to borrowing upon the security of the Federal Consolidated Fund within such limits, if any, as may from time to time be fixed by Act of Parliament, and to the giving of guarantees within such limits, if any, as may be so fixed.

167. *Borrowing by Provincial Government.*—(1) Subject to the provisions of this Article, the executive authority of a Province extends to borrowing upon the security of the Provincial Consolidated Fund within such limits, if any, as may from time to time be fixed by Act of the Provincial Assembly, and to the giving of guarantees within such limits, if any, as may be so fixed.

(2) The Federal Government may, subject to such conditions, if any, as it may think fit to impose, make loans to, or, so long as any limits fixed under Article 166 are not exceeded, give guarantees in respect of loans raised by any province and any sums required for the purpose of making loans to a province shall be charged upon the Federal Consolidated Fund.

(3) A Province may not, without the consent of the Federal Government, raise any loan if there is still outstanding any part of a loan made to the Province by the Federal Government, or in respect of which guarantee has been given by the Federal Government; and consent under this clause may be granted subject to such conditions, if any, as the Federal Government may think fit to impose.

2. Commission may like to make such recommendations in this behalf as it deems fit.

No. F. 2 (1)-NFC/75-Pt.II-135

GOVERNMENT OF PAKISTAN

(Finance Division)

NATIONAL FINANCE COMMISSION SECRETARIAT

Islamabad, the 2nd May, 1975.

To

All Members of the
National Finance CommissionSUBJECT :—*Minutes of Fourth Meeting of the National Finance Commission*

DEAR SIR,

I enclose a copy of the minutes* of Fourth Meeting of the National Finance Commission held on 17th April, 1975, for perusal. The minutes will come up for confirmation in the next meeting of the Commission to be held in the Punjab Assembly Tea Room (Ground Floor) at Lahore on Saturday, the 10th May, 1975,** at 11 A.M.

2. Other items on the agenda of the next meeting will be as follows:—

- (a) Determination of percentage Provincial shares in the divisible pool of Federal revenue assignments.
- (b) The making of grants-in-aid by the Federal Government to the Provincial Governments.
- (c) The exercise by the Federal Government and the Provincial Governments of the borrowing powers conferred by the Constitution.

3. Item (a) above was discussed in detail in the last meeting of the National Finance Commission but decision on it was inconclusive. The meeting on 10th instant will resume the discussion with a view to arriving at an agreed formula. There is therefore no working paper on this item and only minutes of the fourth meeting will form the basis of further discussion.

4. On items (b) and (c), the working papers† were circulated in the fourth meeting. These will be made use of for discussion on these items.

Yours faithfully,

S A A SHAH
Secretary, NFC.

Copy, together with a copy of the minutes, forwarded to all official participants of Fourth Meeting of the National Finance Commission.

S A A SHAH
Secretary, NFC.

*Appendix IV, pages 36-44.

**The meeting was actually held at Peshawar, not at Lahore.

†Annexes I and II to Appendix XI at pages 162-171 and 172, respectively.